HYDRO ELECTRIC ENQUIRY COMMISSION

HEARING ON GENERAL SUBJECTS

TORONTO, DECEMBER 1922.

W. C. Coo,
Official Reporter

HYDRO ELECTRIC INQUIRY COMMISSION.

TORONTO, 20th DECEMBER, 1922.

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HYDRO ELECTRIC INQUIRY COMMISSION.

PARLIAMENT BUILDINGS, TORONTO.
WEDNESDAY 20th DECEMBER, 1922.

PRESENT :

W. D. GREGORY, ESQ.	Chairman.
M. J. HANEY, Esq.	Commissioner.
R. A. ROSS, ESQ.	Commissioner.
J. A. ROSS, ESQ.	Commissioner.

R. T. JEFFERY, ESQ. T. C. JAMES, ESQ.	Representing the Hydro Electric Power Commission.

HEARING ON GENERAL SUBJECTS.

J. M. DEAGLE, (Cataract Power Company.)

THE CHAIRMAN : Is there anyone with you, Mr. Deagle?

MR. DEAGLE : No, my brother could not come.

THE CHAIRMAN : You are the only one representing the Cataract Power Company?

MR. DEAGLE : Yes.

THE CHAIRMAN : This is the letter we received; "We beg to advise you that we purchased a water power at Eugenia some twenty years ago and that the Hydro Commission of Ontario diverted the Beaver River away from our property when they developed the power at Eugenia Falls. We placed the matter fully before them, gave them copies of our engineer's pla ns, documents and titles. In fact we did everything within our power to get a settlement, but without the slightest success. We asked for a fiat to sue the Hydro, employed several firms of lawyers to take it up with the Hydro besides negotiating ourselves with the Hydro

"for years to try and reach a settlement all of which the Hydro ignored.

We would be very pleased to lay the matter before your Commission, supply you with past correspondence, title deeds and agreements in the hopes that you may be able to help us straighten things out. We see no reason why we should be deliberately robbed of our property because we happen to be successful competitors of the Hydro.

Thanking you in anticipation of your kind cooperation, we beg to remain, yours very truly,

(Sgd.) Deagle Bros."

Now, after receiving this letter we arranged for a meeting today in which you could state any grievance you have, Mr. Deagle. Perhaps you will just go about it in in your own way and tell us what your grievance is. What is your name?

A--John M. Deagle. We purchased a water power --

Q--And is this property you speak of owned by you personally? A--By my brother and I.

Q--In partnership? A--In partnership. However, my brother is in the electric light and supply business,

Q--Where? A--He is up at Blind River, and I was President and Managing Director of the Cataract Electric Company of Orangeville, in fact, I have been in business supllying electric light since the early '90's.

Q--It is you who wrote this letter to us? A--Yes, sir. We were supplying electric light and power to Orangeville --

Q--Suppose you tell us where your development is, I don't know where it is.

A--It is in the township of Artemesia.

Q--When did you establish it? A--We bought a water power on the Beaver and the Boyne. My brother had

always run an electric plant up at Eugenia Falls, and we bought a water power further down.

Q--Where did you buy it? A--We bought it at Eugenia Falls, below the Falls.

Q--That would be where, on the Beaver River?

A--We had been dickering for two or three years before we put the deal through. We bought it from a Mr. Graham, and this is the record of that deal.

Q--This is the letter, is it? A--That is practically the first original agreement, and here is a surveyor's plan.

Q--This agreement reads:

"

Eugenia, Ont.
Aug. 3rd, 1905.

It is hereby agreed between Edward Graham, seller of the first part, and J. M.Deagle and Fred Deagle, Buyers of the second part, that the party of the first part agrees to sell the water powers on his farm with the privilege to pipe the water of the Beaver River across his farm to the Boyne River. The parties of the second part agree to make the developments at their own expense, and to allow the party of the first part to use the surplus power in the spring or any other time of the year, to run saw, and shingle mill from the same pond. The parties of the second part agree to pay $1,000 and the parties of the first part agree to keep the dam in repair, or at the option of the party of the first part the parties of the second part agree to pay $500 and to keep the dam in repair. It is hereby agreed by the party of the first part that he has received this day $2 as part of the purchase money. It is agreed by both parties that if no further action

"is taken within twelve months this agreement is null and void.

	SGD.	E. C. Graham
G.W.Graham,	"	Fred. Deagle.
WITNESS.	"	J. M. Deagle."

Q--You have a plan there ? A--Yes, I have the Engineer's plan.

(Engineer's plan produced and filed)

Q--That was followed up, was it, by a deed of the property ? A--That was followed by a deed of the property.

Q--Is this the property incorporated in that ? A--Yes.

COMMISSIONER HANEY: Q--Where is this property on the map ?

A--It is coloured red.

(Mr. Deagle explains map and development to the Commission.)

THE CHAIRMAN: Q--You had 60 foot head there ?

A--We had the two rivers. Under present conditions we have lost the best stream of the two.

Q--You are putting in this deed, which is a deed, you say, carrying out that agreement? A--Yes, sir.

Q--That is made by the Durham Furniture Company though your agreement is with Graham?

A--They took over the farm before the deed was made out to us.

Q--They took it over subject to the agreement ?

A--Subject to our agreement.

Q--So this deed was made in pursuance of that agreement?

A--Yes.

Q--What happened after you got the property?

A--We intended to build.

Q--I think you had better just tell us what you did there; just tell us as nearly as you can after you got the deed, of what development you did ? A--We did not get developing any further than getting our plans in readiness.

Q--What did you do on the ground here ? You spoke just now of having put something in here? A--Nothing more than getting that highway closed.

Q--What highway is this ? A--Across the middle of the pond.

Q--Make it without reference to the plan so that it can be understood ? A--There is no description of that highway, it is a mountain road going across the centre of our pond, and we arranged with the Township to have it closed.

Q--What I am trying to get at is, after you bought the property what development work did you do on it ?

A--We did not do anything further than that. We were keeping that in reserve, and they came along later --

COMMISSIONER HANEY: Q--Who came along ?

A--The Hydro.

THE CHAIRMAN: Q--Yes, but what did you do yourself there. What did you do with reference to the plan; just tell us so that the reporter can take it down. He cannot possibly take down the explanations you are making from the plan ?

A--We did not do any construction work.

Q--You did not do any construction work whatever ?

A--Except surveying and preliminary work, and working out of other details. Outside of that we let no contracts.

Q--So you did not put in any equipment there ?

A--No, we did not. We leased the fishing on that property to the Beaver Fishing Club.

Q--What property? A--That same property, to the Beaver Fishing Club for ten years. That lease expires this year, and the Hydro did not pay for that either.

Q--First of all, you did not put in any plant there on this property ? A--No.

Q--You have never done any development work ?

A--No.

Q--You have just bought the property, you have not put in any dams ? A-No, sir.

Q--Or anything else ? A--No, sir.

Q--So it is now just in the condition that it was when you bought it from Graham Bros.? A--It is, yes sir.

COMMISSIONER HANEY: Q--How much did you pay for the property, a thousand dollars ? A--A thousand dollars.

THE CHAIRMAN: Q--Now, you did not carry any water over from the one river to the other ? A--No, we didn't.

Q--You never made a transfer ? A--No.

Q--So really you did no work, and did not develop at all ?

A--No, we did not.

Q--Well, then, when did the Hydro come along ?

A--They came along a little later, before we had time to make our development. We had the waterpower at Cataract that would supply our requirements.

Q--Just let us confine ourselves to this Eugenia matter ? A--Well, of course, we were not using Eugenia so long as we had the power at Cataract.

Q--Can you tell us what Hydro did at Eugenia to interfere with your rights. You speak in your letter about that? A--They took the water off that property.

Q--They took the water off that property ?

A--Yes.

Q--How did they go about it ? A--They built a dam above Eugenia Falls --

Q--They did not put anything on your property, but they had some development which caused the water to be diverted so that it did not continue to flow down the stream through your property, is that it ? A--That is it.

Q--They did not do anything on your property ?

A--No, sir.

Q--But they prevented the water coming down there, that is your complaint ? A--Yes. We had purchased the rights, and we were still using it on that farm, we were going to use it on that farm.

Q--But you never did any developing there ? A--No, sir.

Q--And they put their dam where it is now ? A--Yes.

Q--The dam you are speaking of is the concrete dam ? A--Yes.

Q--And that diverted the whole course of the water ?

A--Yes.

Q--There would be some overflow, wouldn't there, some time?

A--Just in the spring of the year,

Q--So that practically they left there a dry pond ?

A--Yes, they did. When they shut off in the spring the fish are left on the land there. The water flows over the dam inthe spring and the fish are left on the dry land. It has ruined our fishing in there.

Q--Well, now, what steps did you take when the Hydro diverted the water from your property ?

A--I took the matter up with the Hydro Commission, I wrote them repeatedly. I have a great bunch of letters here, correspondence in connection with the Hydro.

Q--I suppose we can hardly go through all the letters now, but perhaps you could state shortly what is in them. Did you get a lawyer to act for you in the matter, and is that the correspondence ? A--No,this is outside the lawyer's correspondence, that is our own private correspondence in between times, we corresponded ourselves. We employed C. R. McKeown, M.P., of Dufferin.

Q--Of Orangeville? A--Yes, and he fought the thing for some four or five years, and we employed McKay. He has an office on Yonge Street, a lawyer. I think his office is

over the Bank of Toronto, across from Eatons, I don't know his initials, and we tried to employ the head of the Reform party, a lawyer, I forget his name --

COMMISSIONER HANEY: Hartley Dewart ?

A--Yes, that is his name, and he refused to tackle it.

THE CHAIRMAN: He refused to take it ?

A--Yes.

Q--Why ? A--He did not give his personal reasons why. We had different lawyers take it up, and we kept at them ourselves, and came down to see them repeatedly. We took deputations out of Parliament here, for instance, in one case, Dr. Jamieson, Speaker of the House, Charlie McKeown who was the Whip of the House, Dr. Robb, Member for the Algoma District, and my brother and I, we went down to see --

Q--They went with you as a sort of deputation ?

A--To the Hydro.

Q--Yes ? A--Yes, and Mr. Pope -- in some of these letters I had accused the Hydro in an indirect way,- he thought I hadaccused him of bribery. The letters are all here, however.

Q--Did you accuse them of bribery ? A--No, what I had said was that their Legal Department stood in with the lawyers of the Opposition, and they always --

Q--What did you mean by the lawyers of the Opposition ?

A--For instance, we had two lawyers employed. They had a better stand-in than we had, and they would give them $100 or $50, in different cases different amounts, and the lawyer worked for them and us both.

COMMISSIONER HANEY: Q--Who was the lawyer ?

A--Well, I have had different lawyers in mind.

Q--Who was the one you referred to that was bribed ?

A--Pope claimed that I was accusing him of bribery.

Q--Who was the lawyer ? A--Well, I had a couple of different lawyers in mind.

Q--No, but the one particularly that the bribery has reference to ?

THE CHAIRMAN: Q--I understood you put them all in?

A--Well, I refer to two or three. I don't think I will hardly mention the names. One lawyer I got information that he received $75 from the Hydro.

MR. JEFFERY: I think, Mr. Chairman, where there is any accusation of bribery, or any grievance which goes into the newspapers and is made public, the whole thing should come out. Mr. Deagle is here to have this thing heard now, and I think he should go ahead and give us the facts if he is going to make such a statement as that.

THE CHAIRMAN: I think if you make charges of bribery against the Hydro you should give them some opportunity to show whether they are true or not.

WITNESS: When you are using the word "bribery" Mr.Pope used that word himself. It wasn't me that suggested that term. He said I was accusing them of bribery.

MR. JEFFERY: I will leave it to the Chairman to decide what is to be done.

THE CHAIRMAN: Q--Did you make any charge of bribery?

A--No, I hadn't anything to do with the charge of bribery, but I told them what they were doing.

Q--What were they doing ?

A--If I employed a lawyer to do a certain piece of business for me they paid part of the bill. One particular instance they paid a lawyer's bill and paid him twice, three, four or five times what he was entitled to.

Q--You are becoming specific now, Mr. Deagle . To what lawyer did they pay money when he was employed by you ?

A--For instance, we had Guthrie of Guelph, in one case, and they gave him a $200 fee.

Q--For some other matter ? A--For doing some other matter.

Q--Some other matter, they didn't pay him for any of the work he was doing for you? A--Yes, in connection with it. He was doing some work forme in connection with the Hydro.

Q--And they engaged him to act for them in another matter with which you had nothing to do ?

A--They paid him a $200 fee, and he was to get a settlement with me.

Q--That may have been part of the terms. Very often, if a person is claiming against another, and they come to a settlement there is an arrangement sometimes made that the costs of the party who is making the claim shall be paid by the other side ? A--They are paying him five times too much; they are paying him $200 for a few minutes' interview.

COMMISSIONER HANEY: Q--Hugh Guthrie of Guelph ?

A--Guthrie of Guelph.

Q--The Hon. Mr. Guthrie? A--Yes, the Hon.Mr.Guthrie.

COMMISSIONER R. A. ROSS: Did they pay Mr. Guthrie for work done for you ?

A--They made the proposition to Guthrie like this, that they would pay me so much, and they would give Mr. Guthrie $200 for his expenses.

Q--Why should they pay your expenses ?

THE CHAIRMAN: On the face of it, if Mr. Guthrie was acting for you, and they made a settlement with you and they paid you so much money, and then they said "We will pay your lawyer's costs as well, there is nothing wrong about that ? A--They have paid my lawyer's costs up to a reasonable amount, which was all right, but they paid him five times more than I would pay him.

MR. JEFFERY: Might I make a little explanation there. I cannot remember all of the details of the case in point, but there was an action brought about by an accident to a man in Orangeville at Mr. Deagle's plant --

COMMISSIONER HANEY: At the Cataract plant.

MR. JEFFERY: On account of the Commission's wires coming in contact with Mr. Deagle's wires. You understand, there are two competing systems in Orangeville.

THE CHAIRMAN: The Cataract Company had nothing to do with this --

MR. JEFFERY: That is what I am trying to say. I am trying to show you, Mr. Chairman, where this fee to Mr. Guthrie came in. Mr. Guthrie acted as lawyer for Mr. Deagle in connection with this suit.

THE CHAIRMAN: Did he bring an action against the Hydro?

MR. JAMES: No.

MR. JEFFERY: The Commission made a settlement in connection with this action, and in connection with that they paid Mr. Guthrie's fee, that is what this is.

THE CHAIRMAN: There seems to be nothing wrong about that.

WITNESS: It made it that Guthrie was making the settlement, and getting his $200 for it ?

THE CHAIRMAN: I suppose he stipulated that if you made the settlement you should not have to pay Mr. Guthrie's costs. You accepted the settlement yourself ? A--Yes, we accepted the settlement.

Q--It has nothing to do with the Eugenia at all ?

A--This is outside of Eugenia.

THE CHAIRMAN: On the face of it, there is nothing wrong with the Hydro paying Mr. Guthrie's fee. How much did they pay in damages ? A--A thousand dollars.

Q--And they paid the cost of the lawyer who had appeared in the matter ?

MR. JAMES: A thousand dollars to Mr. Deagle.

THE CHAIRMAN: That is for damages done.

MR. JEFFERY: We have the details, Mr. Chairman, a

thousand dollars paid to Mr. Deagle and $200 paid to Mr. Guthrie.

THE CHAIRMAN: Why was it paid to Mr. Deagle if he wasn't the party entitled to it ?

A--They paid a thousand dollars to the widow.

MR. JAMES: You did certain damage to his plant and the man was killed in addition.

THE CHAIRMAN: Yes, and did Mr. Guthrie appear for the widow as well?

A--Yes.

MR. JAMES: Yes.

THE CHAIRMAN: This $200 that was paid to Mr.Guthrie was paid for his services in representing yourself and the widow in this matter ? A--Yes.

Q--There is nothing wrong about that ?

A--Well, I have another matter in mind.

COMMISSIONER HANEY: Q--Was the widow paid money in addition to the thousand dollars ? A--Just a thousand dollars. She got some compensation from the Compensation Board.

MR. JAMES: The Court made the conditions. There was $800 to the children and $200 to the widow; that was determined by the Court.

COMMISSIONER HANEY: Well, now, the damage to Mr.Deagle's plant, was there anything for that ?

A--A thousand dollars.

MR. JAMES: In addition.

MR. JEFFERY: And we also paid $200 to Mr. Deagle's solicitor, Mr. Guthrie.

COMMISSIONER R. A. ROSS: Altogether $2200 ?

MR. JEFFERY: Yes.

MR. JAMES: That is right.

THE CHAIRMAN: The damages seem to be very small for

killing a man ? A--It was very small, on our part --

THE CHAIRMAN: However, the matter came before the Court .

A--It did not go to court except adjusting the amounts .

THE CHAIRMAN: The Court apparently approved of the settlement.

MR. JAMES: The Court approved of the settlement, yes.

WITNESS: It wasn't heard in Court, however.

COMMISSIONER J. A. ROSS: You sustained some damage to your plant ?

A--Yes. 25,000 volts came in on our 6600 line, and it cleaned up our transformers, generators, exciters, alternators, and everything in general, set fire to the building and killed our operator, and I was knocked down several times.

THE CHAIRMAN: However, you accepted the settlement ?

A--We thought it was better to accept a thousand dollars than get nothing.

COMMISSIONER J. A. ROSS: Q--The settlement was not the Hydro settlement, it was a Court settlement ordered by a Judge who sat and heard both sides ?

A--No, it was settled by the Hydro.

THE CHAIRMAN: Then what would bring it before the Court ?

A--As far as our case was concerned it did not come up before the Court.

Q--But the Court approved of the settlement ? A--Yes.

Q--Having agreed to it you cannot say very much now. You were not bound to agree to it?

A--If you are interested in how this happened, I can give you the details. The two lines were within an inch of one another, so that when the power line broke our line was charged with 25,000 volts. As I say, the lines were only an inch apart and of course when the line broke it fell on our wire.

Q--You are speaking of the wires put up by the Hydro?

A--I am speaking of the wires put up by the Hydro, yes.

MR. JEFFERY: If Mr. Deagle is going to explain all of those various points, I will have to explain our position in connection with it. There is an explanation to all this, you know, and I didn't know that it had any bearing on this particularly. However, if he is going to explain to you his side of it we will have to explain our side.

THE CHAIRMAN: Hadn't webetter, first of all, get through with Eugenia.

MR. JEFFERY: Hadn't we better deal with those other two lawyers?

THE CHAIRMAN: Yes, yes, if there are charges of impropriety about them.

WITNESS: I didn't say that they were bribed. I think the statement is in this correspondence, and Mr. Pope has the correspondence. It was Mr. Pope's suggestion, it was he that suggested this bribery. As I said before, our deputation was from the Parliement buildings, consisting of Mr. McKeown and Dr. Robb, and my brother and I. I said to Mr. Pope, "Mr. Pope, what I put in that letter was the truth". I said I will put up a thousand dollar marked cheque to prove it, and I handed him a marked cheque, or handed it to Dr. Jamieson, who was also there, to hold, and he changed the subject and talked about something else.

THE CHAIRMAN: I haven't seen the letters at all.

MR. JEFFERY: Mr. Deagle says he has two or three lawyers in mind, and he has named one of them. We ought to have the other two.

THE CHAIRMAN: You are quite right, I think he should name the others. What impropriety are you charging in the other matters ? A--Well, it would implicate another fellow who gave me some information in confidence. I have that in mind.

MR. JEFFERY: Either withdraw it or explain it.

THE CHAIRMAN: I think you are quite right.

MR. JEFFERY: If you want to withdraw it I am quite willing that you should, but if you are going to leave it on the record as such then you will have to explain who they were.

WITNESS: That is as far as my correspondence goes. I won't either withdraw that or add anything to it. I will leave it in the correspondence.

COMMISSIONER R. A. ROSS: Are the names mentioned in the letter ? A--No.

MR. JEFFERY: We are accused of impropriety in dealing with certain lawyers.

THE CHAIRMAN: Employed by Mr. Deagle.

MR. JEFFERY: Employed by Mr. Deagle, in order to influence those lawyers in doing the work for him and making their decisions for them. Either that will have to be taken off the record, or I think Mr. Deagle should be asked to explain who they were and explain the conditions.

A--I think we had better look up that letter and that will clear it up.

MR. JEFFERY: It does not clear it up to mysatisfaction.

THE CHAIRMAN: You have made charges, and I think you should substantiate them. You said they paid your lawyers ?

A--I said they paid my lawyers more than they should have paid them.

Q--What lawyers were they ? A--Mr. Guthrie was one.

Q--You have told us that ?

A--I think they overpaid him. They made it pretty hard to get a man to plead for you when they are willing to pay so much to him to quit.

Q--Well, you were a consenting party to the settlement?

A--We had to accept it or get nothing.

Q--I must say the charge of Mr. Guthrie does not seem to be out of the way considering what was gone through, and what he did ? A--Well, he hadn't done anything in particular.

Q--However, it doesn't strike me, as out of the way at all. Tell us of the other cases where they bought your lawyers away from you?

A--I didn't say that they bought our lawyers away from us. My letter explains it. You are taking a wrong impression from what I have said. I said that they were in the habit of paying a big fee to a lawyer, about $50 or so --

Q--That is what your letter states ? A--I cannot give you the exact words.

Q-- Having made that charge against them, I think it right that you should not leave it up in the air, you should tell them, give them some particulars of those cases so that they can answer your charges. You have made a serious charge against them, that they have taken your lawyers away from you. I think this is the paragraph referred to, in your letter of February 15th, 1919:

> "You are probably not aware, Mr. Beck, that the Hydro's favorite scheme in settling claims is to pay the lawyers on both sides of the case whether they are asked to do so or not, and in some cases where there has been little or no services performed whatever, a fee running from $50 or so up to hundreds of dollars has been paid to the opposition lawyer. Now this has resulted in getting the Hydro some very amicable settlements of some very knotty questions. That coupled with the refused permission to sue for the payment of a just debt should place the Hydro on a pretty sure footing towards running a paying business. The newest scheme of paying the man at the helm many times his worth and all below him a pittance, seems to be practised to the fullest degree,

"starting in Government circles, and from there down the line of Hydro officials, with its legal department of real specialists, skilfully manipulating and applying its principles ina great variety of modified forms."

Was there anything else about the lawyers ?

A--No, that is what I have reference to.

Q--Well, now, you have made a statement there that they have been following the practice by them, paying thr lawyers on the other side and so getting, as you say, an amicable settlement. Well, now, you have made that statement and I think you should give particulars of that?

A--I mentioned Guthrie.

Q--You mentioned that, but you have told us also that there are some other cases as well?

A--There is another man in particular that I know of who got money without working for it.

Q--Who was that ? A--Well, I don't think I should tell.

Q--You must tell ? A-- Well, I would rather not.

Q--You are accusing the Hydro, you must give the name?

A--I offered Mr. Pope to prove it to him.

Q--We want to give you an opportunity of proving it now. What is the name of this lawyer ?

A--I don't think that would get me anywhere by exposing that fellow.

MR. JEFFERY: You did not hesitate and had no compunction in exposing us. We have been getting that kind of correspondence from you for years. You were not asked by this Commission to bring up that correspondence, but now that you have brought it we want you to prove your case.

THE CHAIRMAN: Mr. Deagle, you have made this statement here, you must give out the information . Was it a lawyer employed by you? A--I don't think in that particular case,no.

no.

Q--Well, by whom was he employed ? A--Well, I don't know that I would be justified.

Q--You would not be justified in refusing to give us the name. You see, you cover a lot of people with suspicion?

A--Yes.

Q--And you must make your statement definite so that it can be proved or disproved. A--Well, I think I have gone as far in that letter as it is necessary to go.

Q--No. You have gone so far as to make a charge and now you must give particulars of your charge. You have made a charge against the Hydro of buying the lawyers in order to get settlements favorable to themselves. Now, you hav got to state what grounds you have for making those charges ?

A--Well, I would rather consult a solicitor before I would give you the man's name, I would not want to do it offhand.

(At this stage the Chairman sent Mr. Latimer to the Department of the Attorney General for a Bible in order to swear the witness and, on Mr, Latimer's return the witness was duly sworn by the Chairman.

THE CHAIRMAN: I must ask you to answer those questions

A--I would like to consult a solicitor on that one question, before I answer it.

Q--Well, I think it is quite plain. We cannot delay the proceedings. A--I think we can go ahead with the rest and I can consult a solicitor.

Q--I will have to have you committed if you refuse to answer the questions. I have the power of a Judge in these proceedings, and if you won't answer the questions during the course of a trial, why, the Judge simply puts you in charge of the Sheriff. Now, I will have to do that if you do not answer it. If you wish to see a lawyer here we will have him telephoned for to come up and see you? A--Well, I must explain --

Q--We will be glad to have anyone telephoned for, if you wish to speak to a lawyer to advise you in the matter ?

A--I will have to explain the details in connection with that letter what I had reference to.

Q--No, you have made a certain charge against the Hydro, and now we are asking, as we have a right to, for you to substantiate your charge, to name the party who did this, or to whom this money was paid; you have refused to answer that question now ? A--You mean in that letter ?

Q--Yes, and in your statement to us this morning ?

A--I have reference to that letter, not to my verbal statement.

Q--I have reference to both. You put this letter in here as setting forth your charge, and now we must know the name of the person, so that the Hydro may have an opportunity to disprove it. If you wish to consult a lawyer we will have him telephoned for to come up here? A--I suppose I have got to tell it anyway?

Q--Yes? A--Well, what I was going to say, regarding that statement, and regarding Mr. Pope's suggestion, was that I was accusing their Department of bribery, that was Mr. Pope's suggestion. Some of the members seemed to get the impression that I was accusing them, and I said that Mr. Pope used that word. Whatever I said was in that correspondence.

Q--That is a charge of bribery against them ?

A--I don't know that that meant a charge of bribery or not.

Q--That is practically what it is ? A--Then I will give you the details of what I had reference to.

Q--You will have to give the details of the whole thing?

A--Mr. Hughson, of Orangeville --

Q--Is he a lawyer? A--He is a lawyer, and Clerk of the Town of Orangeville. The Town sent him down here to look after its interests in connection with the straightening up of Hydro affairs in Orangeville, and he phoned Shelburne

asking them if they wanted someone to look after their interests when he was down here straightening up Hydro matters, and they said Yes, they would like someone to represent them. So they also employed him to represent their interests in putting through this deal with the Hydro. I don't know the nature of the deal, but Mr. Hughson was opposing certain parts of the deal that did not satisfy him. He thought that the Hydro was inclined to be a little too hard. However, I don't know the details. They did not suit him, and Mr. Pope suggested to Mr. Hughson, "You don't need to be so stiff about this thing". He said "We will make it all right with you", and next time Hughson was in Toronto he was down into the Hydro office and he said, "What did you mean by making it all right ?" and Mr. Pope said "How will $75 suit you?" He said, "all right", I think he said all right, as far as I remember. I am giving you it as far as I can recollect. The little details might not be exactly right, but I am pretty close to it, and I think he accepted the $75, as far as I can remember.

Q--For what ? A--For, as I thought, not being too stiff in protecting the interests of Orangeville and Shelburne.

Q--Were you present ? A--No, Mr. Hughson told me this.

Q--So you don't know it of your own knowledge ? A--No.

Q--Only what Mr. Hughson told you? A--Yes.

COMMISSIONER J. A. ROSS: In the presence of anybody else? A--No.

THE CHAIRMAN: Q--Was Mr. Hughson paid by Shelburne and Orangeville for representing them here ?

A--He was employed by them, I understand.

Q--Was he paid by them ? A--I don't know whether he got paid or not.

Q--Might not it have been a part of the settlement of this matter that Hyrdo should pay his expenses ? A -I cannot tell you, that is really all I know about it. I cannot be very

much out in all my details, I don't think. I am pretty close.

Q--Now, you have spoken of other lawyers ? A---No.

MR. JEFFERY: I would like to ask a question.

Q--You say then that Mr. Hughson was paid $75 by the Commission to square away the Shelburne matter to the satisfaction of the Commission? A--I understood from him he was paid $75.

Q--I don't care what you understood. I say you made a statement, and I want to know definitely, whether you state that the Commission paid him $75., as you stated here, for his influence in getting the Shelburne matter squared away to the Commission's satisfaction, Yes or No ? A--My explanation of that, I think, clears that up.

Q -I am asking you a question ? A--May be I am not understanding your question. If you cut it down to a few words I can answer it separately.

Q--There is only one part to that question. Do you state definitely that the Commission paid Mr. Hughson $75 ?

A--Yes, or Mr. Pope did, Now then, go on.

Q--That is not what I am asking you ? A--You are getting the thing tangled up.

THE CHAIRMAN: Follow that up, the next step. He said that Mr. Pope paid $75 to Mr. Hughson, paid it for the Commission.

MR. JEFFERY: Q--What did he pay that for ?

A--He said he would make it all right for him.

Q--For what ? A--Apparently there was no discussion, the thing was a very few words.

Q--I want to know what that $75 was paid for ?

A-- That is as far as I can remember as to what happened. The stenographer can read that over to you.

Q--Did Mr. Hughson do any other work for the $75 that he was paid ? A--I didn't understand so, I don't know of it.

THE CHAIRMAN: The impression left on me from what you said just now was that this $75 was paid by Mr. Pope to Mr Hughson for getting a settlement in the Shelburne matter that was satisfactory to the Commission?

A--Not to be arbitrary, I think I mentioned that.

Q--Not to press Shelburne's right too strongly?

A--I would think that was the impression I took anyway.

Q--Not to press Shelburne's right too strongly in the matter ?

A--I think that would be it.

MR. JEFFERY: I might say that Mr. Hughson was engaged by the Commission in connection with certain legal matters. Mr. Huxtable, who knows about that, is here today and he would be able to perhaps tell something about that.

THE CHAIRMAN: Was there some money, Mr. Jeffery, paid by the Hydro to Mr. Hughson ?

A-- MR. JEFFERY: I believe so, in connection with the Boyne River power case.

Q--And was he engaged by the Hydro in the Boyne River case about the time that he was presenting the case of Shelburne against them?

MR. JEFFERY: You can see, Mr. Chairman, how those matters are being turned around.

THE CHAIRMAN: Of course, there might be something not quite right about that.

MR. JAMES: Orangeville is the County Town, and the records of Dufferin County are kept there, and Mr. Hughson, being Clerk, was familiar, and also being a lawyer in Orangeville, with certain titles, and he performed certain legal work for the Commission.

THE CHAIRMAN: Of course, there might be some question as to the propriety of engaging him on the spot when he was down on another matter, acting for the Municipalities.

MR. JEFFERY: There is no connection with it, Mr.Chairman at all, absolutely none.

THE CHAIRMAN: But he was down at the Hydro pressing this claim, and then he is engaged by the Hydro at that time on another matter.

MR. JAMES: He wasn't pressing any claim at that time.

MR. JEFFERY: There is no claim.

COMMISSIONER HANEY: Was he just synchronizing the various interests ?

MR. JAMES: That is all he was doing. Being Clerk of the Municipality of Orangeville they naturally had him look after legal matters.

MR. JEFFERY: There was no difference between us and Shelburne at all.

THE CHAIRMAN: And Orangeville.

MR. JEFFERY: None at all.

THE CHAIRMAN: Q--Is there any other case ?

A--No, that is the only one.

MR. JEFFERY: Q--Why, yes, there were two or three lawyers.

A--I think someone else suggested three.

Q--You did, you said two or three?

A--Whatever my letter says.

Q--It is whatever the evidence says . I think we should read what you said?

A--It does not confine me to more than two.

Q--You said two or three ? A--I never did say three.

Q--Well, if you will state definitely that there were only two cases you had in mind that will satisfy me?

A--I only had two in mind.

THE CHAIRMAN: You say here it is a favorite scheme of Hydro's, in settling claims, to pay the lawyers on both sides of the case whether they are asked to do so or not, and in some cases where there has been little or no services

performed whatever a fee running from $50 or so up to hundreds of dollars has been paid to the opposition lawyer?

A--Yes.

Q--Well, now, you have mentioned hundreds of dollars. Do you know of any case where hundreds of do lars have been paid ? A--Guthrie I have reference to, I have that in mind.

Q--Then do you know any outside of the Guthrie and Hughson cases ? A--No, those are the only ones.

Q--So you make no charges against the Hydro in connection with any other cases ? A--No.

MR. JEFFERY: Of course, you understand, Mr.Chairman, that this is a very serious matter in connection with Mr.Hughson and Mr. Guthrie?

THE CHAIRMAN: Yes, and if there are any more questions you would like me to ask, Mr. Jeffery, I will be glad indeed to ask them for you.

MR. JEFFERY: There are certain charges that Mr.Guthrie and Mr. Hughson accepted bribes from the Commission in connection with their legal work.

A--My letter does not say that .

THE CHAIRMAN: Well, it does not use the word "bribe", but it does make a certain statement which, it seems to me, amounts to that.

A--When I came to mention the word "bribe", I was referring to the time when Dr. Jamieson, Dr. Robb and Mr. McKeown and I went down to the Parliament Buildings, and Pope used the word "bribe"

THE CHAIRMAN: I am not using the word "bribe", but you state certain facts, you know which, it seems to me, Mr. Pope would be quite right in describing your charges as charges of bribery. Is there anything more, Mr. Jeffery ?

MR. JEFFERY: Not on that particular point.

THE CHAIRMAN: We have asked all that you want us to

ask on that particular point.

MR. JEFFERY: Yes.

THE CHAIRMAN: Perhaps then we had better get on with the other

Q--Did you ever take any action against the Hydro for diverting the water from your property at Eugenia ?

A--We asked the Attorney-General for a fiat to sue the Government and --

Q--To sue the Government ? A--To sue the Government, yes.

Q--Or the Hydro? A--The Hydro, yes, and he would always promise that he would give us one; he would promise us through either Mr. McKeown or Dr. Jamieson or Dr. Robb, or some of the members, but when they were away he would not do anything for us.

COMMISSIONER HANEY: Q--Who was the Attorney-General at that time ? A--Mr. Lucas.

MR. JEFFERY: Q--You have a copy of your letter asking for a fiat?

A--We asked in front of Dr. Jamieson or Mr. McKeown.

MR. JEFFERY: That is no request for a fiat. As I understand it, in order to get a fiat you must send in a written request.

THE CHAIRMAN: He might make it verbally to the Attorney General.

MR. JEFFERY: Oh, he could do that.

THE CHAIRMAN: The Attorney General would very likely ask that it be put in writing.

Q--But you made a verbal request to Mr. Lucas when you were accompanied by those members, Dr. Jamieson, Dr. Robb and Mr. McKeown, to give you a fiat to the Hydro for damages?

A--Yes, sir, that is it.

Q--And Mr. Lucas told you that the fiat would be issued?

A--He said he couldn't issue one.

Q--And when was this that you asked him for it?

A --That would be the time the old Government was in.

MR. JEFFERY: Q--Who else were present, Mr. Lucas, Dr. Jamieson, and who else ?

THE CHAIRMAN: Mr. McKeown.

A--I cannot tell you absolutely which ones were there. My brother was with me at times, and different ones were present. I cannot tell you just who were with us any particular time. I am quite sure McKeown would be with us, because he was representing us, and generally some of those other fellows were with us as well.

MR. JEFFERY: Q--Can you say positively who was present at the time you asked for the fiat.

A--I wouldn't swear to it.

Q--You say Mr. McKeown was present? A--I wouldn't say positively.

Q--You think you must have been there alone ?

A--No, I wasn't alone.

Q--You had some members with you? A--Always.

Q--You don't know who the members were who were with you at that time ? A--Not any more than McKeown who was doing the bulk of our work for us.

Q--You think he was there ? A--Yes, but I am not sure.

Q--When was this, Mr. Deagle ? A--Probably the last year or two of the Conservative Government.

Q--That would be 1918 or 1919 ? A--I suppose so.

Q--Was the fiat refused you ? A--Yes. He always promised us but never would give it to us.

Q-- Was it refused ? A--Never refused.

Q--So then if you have no refusal on record and we have no application for it on record it does not look very much like as though you wanted a fiat ? A--We wanted it all right.

THE CHAIRMAN: I don't think the law requires that there should be a written application. If he went to the Attorney

General and he said I will issue a fiat to you, it might be issued, I think, without anything further. The regular way, I think, would be to put it in writing.

MR. JEFFERY: I didn't think that would be legal at all. I thought the Court would demand some record of it.

THE CHAIRMAN: All that would be required to issue the writ would be the issu ing of the fiat that a writ might issue against the Hydro in a certain matter, and why I think the Attorney General would ask for it in writing would be because he would want to know the details of the action they desired to bring ?

A--Well, he never asked for it in writing.

THE CHAIRMAN: And if he decided not to issue the fiat the next request, I should think, would be an application in writing through your lawyer, and in that application he would state exactly the nature of the action you desired to bring and to which the fiat will have to be issued. You see a fiat isn't a general fiat allowing you to bring any number of actions, but it would be a fiat in a particular case, and you never received the written consent ?

A--No.

Q--And you were never asked to file an application in writing? A--I didn't know it was necessary to file it in writing, we always asked verbally.

Q--Did you make many applications to the Hydro office for settlement of your claim for damages in respect of the Eugenia ? A--Yes, quite repeatedly, both written and personal, and also through the different lawyers.

Q--Did the Hydro state that they would object to the Attorney General issuing a fiat authorizing the bringing of this action against them ? A--No, there doesn't seem to be any objection. Lucas was always agreeable, everybody was agreeable, but we never could get it. He always gave us a promise but nothing was done,

Unfortunately we did not take it up in writing, unless it is embodied there.

Q--If you had brought it up in writing it would have been a matter for the Attorney General to decide whether or not he should grant your request. The fact that you might put it in writing would not give you the right to the fiat itself. What did you want to sue them for, Mr. Daagle, anything besides the damages you would sustain through them diverting the water from its channel?

A--The damages through losing the water power, and also for the fishing rights.

Q--That was all? A--That was all.

Q--Have you made any application since then for the right to bring an action? A--Not since the new Government came in, only corresponding through the several members of the House, and by them going up to the Hydro to help us out, discussing it with the Hydro officials, that is all.

Q--But you have not taken it up with the Government itself; you have not taken it up with the Attorney General, you have not renewed your application for a fiat ?

A--I haven't taken it up with Mr. Raney.

Q--But you have endeavoured to get Hydro to settle your claim? A--Yes.

Q--Have you sent them letters ? A--Yes, continually.

Q--And you have had interviews with them ? A--Yes.

Q--Whom have you seen ? A--I have seen Pope and Gaby, and Sir Adam on a few occasions.

Q--What is their reply to your request for settlement?

A--Well, the Fishing Club were complaining, and, in their interests, I was trying to get that settled for them.

Q--I am just thinking of your own claim?

A--Well, the fishing rights were leased, and after their

lease was through it would be our own property.

Q--What reason was given for not settling your claim?

A--Well, Mr. Pope said if he paid us for the fishing rights he would have to pay all down the line, that is, to the farmers, and he said he wasn't going to pay us and have trouble with the rest.

Q--So that is as far as you have got ? A--That is the only explanation we ever got.

Q--They would make no settlement with you? A--Gave us no settlement.

Q--Well, then, what about the water, what did they say about that ? A--They offered, I think, $900 once.

Q--What was your claim ? A--$25,000.

Q--Have they ever offered to arbitrate? A--They have offered to arbitrate. I said, if that arbitration means you pick an arbitrator and we pick an arbitrator it wpuld be very satisfactory, but I said, if you pick both arbitrators, or all the arbitrators, then it is not satisfactory, and I understood they picked all the arbitrators.

MR. JEFFERY: There is an Act under which arbitrations are carried on, which specifically states how the arbitrators are to be appointed.

THE CHAIRMAN: The arbitrators are to be appointed one by each party, and then the third by the two, and in the event of the parties not agreeing the third arbitrator is appointed by a Judge. It is a general Act ?

A--I thought they picked the arbitrators?

Q--No. A--Well, I asked them to explain that point, and I never got any reply to that.

Q--I think your lawyer could have told you that they would not have the right to choose all the arbitrators. Well, would you be willing to submit your claims to arbitration?

A--Oh, yes.

THE CHAIRMAN: Why shouldn't that be done, Mr.Jeffery?

MR. JEFFERY: I might say that on March 13th, 1919, Mr. C.R.McKeown, Solicitor for Mr. Deagle, advised us that he was prepared to accept $10,000 in full for Mr.Deagle's claim, and if refused he would like to be notified so that he could make the necessary arrangements to proceed by way of arbitration.

THE CHAIRMAN: That is, Mr. McKeown wrote you to that effect?

MR. JEFFERY: Yes. Under date of May 31st, 1920, Mr. Pope again wrote to Mr. Deagle advising him that the Commission had considered his communications and that the only way to settle would be on an amicable adjustment along lines heretofore discussed and, unless he was prepared to be reasonable, there was nothing to do but to allow the matter to be determined by arbitration.

THE CHAIRMAN: Have you ever interposed any obstacle to having it settled by arbitration?

MR. JEFFERY: Absolutely none.

THE CHAIRMAN: And you are quite willing now that it should be settled in that way.

MR. JEFFERY: I understand so. Mr. Deagle was offered, as settlement in full, the sum of $900 which, we understand, is the amount that Mr. Deagle has spent, the entire amount that he has spent on this proposition up to date.

THE CHAIRMAN: But in the arbitration there would be no limit on the amount of the award, the award would be what the arbitrators chose to make it.

MR. JEFFERY: I suppose it would be, yes.

THE CHAIRMAN: You do not say we will arbitrate, that you will agree that the amount of the award shall not exceed a certain figure.

MR. JEFFERY: We put no stipulations on our suggestion

at all as regards the matter of arbitration.

THE CHAIRMAN: So he had full and unqualified right to arbitration at any time?

MR. JEFFERY: Always.

THE CHAIRMAN: Is that satisfactory ?

WITNESS: We are satisfied.

THE CHAIRMAN: You can go ahead any time and arbitrate on this and have arbitrators appointed under the general Act, and settle up this claim of yours against the Hydro. That seems to me the reasonable and proper way to dispose of it.

COMMISSIONER R. A. ROSS: Q--Didn't your lawyer tell you that, Mr. Deagle ?

A--No, he seemed to oppose that, I don't know why. He said they picked the arbitrators. I don't know where he got that information or how he came to tell me that.

Q--How much power does this involve ? A--We had about, say, may be one-eighth of the total power at Eugenia, if that water was turned back to us.

Q--What would that amount to in horsepower, have you any idea ? A--Probably a thousand h.p. They are getting 8000 up there we will say.

Q--What head would you use ? A--About 60 feet.

Q--So that you had one-eighth of the water? A--Yes.

Q--And a 60-foot head? A--Yes, sir.

Q--What head are they using at Eugenia now ?

A--Well, it runs from 500 to 525.

Q--So that you would have one-eighth head of water, which is 1/64 of the power at Eugenia?

A--We would have all the water.

Q--All the water ? A--All the water, yes.

Q--I thought you said one-eighth? A--One-eighth of the head, but all the water. We would have one-eighth of the

power, one-eighth of 8000. We offered to take that in reduced quantity of power as a settlement.

THE CHAIRMAN: That is, you agreed with the Hydro that you would accept a reduced quantity of power furnished by the Hydro to yourself, as a settlement ?

A--Yes, we would distribute it in that district, and sell it at half the price the Hydro is charging for distribution in that territory, that is, retail at half the price they are charging the farmers if they wou ld give us a reduced quantity of power. Mr. Gaby offered me 5 horsepower, or so.

MR. JEFFERY: Q--Is that in writing ? A--That is verbal .

COMMISSIONER R. A. ROSS: Q--Mr. Deagle, when you would install your power you would divert the water out of the original water course, I suppose ? A--In our plant there ?

Q--Yes? A--Only so much as on our own property. we would take it off our own property. We dam it back in our own property, it shows it on this plan.

Q--So you did not divert it? A--No, we keep it within the four sides of that farm.

THE CHAIRMAN: Q--So that you did not intend to divert the water from your own farm.

A--No, we turn it back into the river on our own property.

Q--Now, is there anything further regarding the Eugenia matter that you would like to speak of Mr. Deagle ?

A--Well, not any more than there were about six or seven different propositions, I cannot remember them all offhand, that we made which would give them a chance to offer any proposition they would like. The last proposition was that we would accept the fishing rights on that artificial lake.

Q--Is that a Dominion power ? A--It was.

Q--The Hydro would not have any right to that ?

A--Sir Adam Beck said he would give anything. He promised before Mr. Asmussen, the member for Waterloo.

MR. JEFFERY: Is that in writing?

A--No, that was done at a meeting.

MR. JEFFERY: A lot of these promises are verbal, it seems.

THE CHAIRMAN: Q--That was a pretty wide promise, to give you anything?

A--That was in connection with giving the fishing rights. He said, Yes, we will give you anything. He said he would give us that fishing right there, but he didn't give us the fishing right.

MR. JEFFERY: In lieu of water ?

A--In place of water power, and fishing rights below the Beaver and the Boyne.

Q--He offered to give you the fishing rights at Eugenia in lieu of your water power on the Beaver and the Boyne, and the fishing rights that you have there, that is, the Fishing Club? A--Yes.

Q--Settlement in full, and did you accept it ?

A--He said he would.

Q--Did you accept it then verbally.

A--That was quite satisfactory, I told him that, and that was in front of Mr. Asmussen. I think probably there were two or three more members

Q--What date was that ? A--Some of my correspondence would bring that out, within a week we will say, the deputation came down from Hillsburg and Caledon.

MR. JEFFERY: I might say, Mr. Chairman, that is rather an important thing, Sir Adam promising anything at all on a certain date.

WITNESS: He said it in a joking way.

MR. JEFFERY: You are making a statement which goes into

the newspapers, and it doesn't go in there as a joke.

THE CHAIRMAN: Oh, yes, a joke goes in some times.

MR. JEFFERY: I know it does, but I don't know that they will attach the joke to this. This is no joke for me or for the Commissoner.

WITNESS: A little more explanation would clear that up. Mr. Asmussen asked Sir Adam could he give it, and Sir Adam said, Why, we would give anything. He said, why, that will be satisfactory to give us the fishing rights.

Q--So then it was all a joke? A--Those two words "give anything" was a matter of a joke.

Q--You state then the whole thing was a joke ?

THE CHAIRMAN: No, it is just his expression.

WITNESS: Just the two words. Sir Adam meant nothing wrong about it.

Q--Supposing we take everything off, he promised you the Eugenia fishing rights ? A--Yes.

Q--That was definitely promised ?

MR. JEFFERY: Well, I want to nail that down.

WITNESS: Yes, that is right, Mr. Asmussen is a witness to that.

THE CHAIRMAN: Mr. Deagle evidently wants to nail it down too, and that would be of some value, and it might be that he could get the Dominion Government to consent to a settlement on those terms.

WITNESS: Not now, that was before they took it over.

THE CHAIRMAN: I suppose they could withdraw it from the reservation if they saw fit to do it.

MR. JAMES: The Provincial Government have the fishing rights.

THE CHAIRMAN: Oh, yes, they have a lot ofbusiness up there now.

MR. JAMES. I believe so.

THE CHAIRMAN: I think that would be a very valuable preserve.

WITNESS: Oh, yes. I think my letter said the fishing and sporting rights.

Q--Well, that is worth while? A--It would be better than nothing.

THE CHAIRMAN: I would rather have them than the water power.

WITNESS: The water power is of no use to me at my age, in fact, I am not associated with the Eugenia Company at the present time. They drove me out of business.

Q--I have just looked up the Arbitration Act, and there is provision here, if the parties agree to arbitrate, for each one to choose an arbitrator, and then those two must choose a third. It is quite simple. There is no provision that one party may choose all three arbitrators.

A--I cannot speak for my brother in regard to the arbitration. I will have to leave that to him. He has more to say about that than I have.

Q--However, that seems to be up to you. Now, what other matters in connection with Eugenia do you wish to bring up, Mr. Beagle. You said there were a number of propositions?

A--There were about seven different propositions.

Q--You have told us of one, that is, the fishing rights, and you told us of Mr. Gaby's offer to give you five horsepower.

MR. JEFFERY: Are you transferring over to another proposition now, Mr. Chairman ?

THE CHAIRMAN: Another proposition in respect of Eugenia. He said there were a number of propositions.

A--We offered to take an annual rental, to accept an annual rental in payment of our rights, or, as an alternative, to turn the stream back in its old course and we would develop it down there; giving us permission to sue through the Government

we have covered that.

COMMISSIONER HANEY: Q--What rental did you ask ?

A- We did not discuss the price, we hadn't come to the price.

THE CHAIRMAN: Q--What was the other proposition or propositions ?

A--We have covered pretty much the other ones. I think we have covered them all now.

Q--Anything further then about Eugenia, Mr. Deagle ?

A--No, I don't think so. Of course, I have some correspondence here. There is a letter from Mr. Slack in connection with Col. Carmichael.

Q--Well, this is a letter from one of the members of the Legislature? A-- Yes.

Q--Just enclosing something ? A--A letter from Col. Carmichael. He enclosed a letter which I returned to him. This is some more correspondence, I cannot read it without my glasses.

Q--This is a letter from Mr. Pope to Col. Carmichael, and Mr. Gaby to Col. Carmichael. Those are not the letters which were enclosed by Mr. Slack. The letter enclosed by Mr. Slack was one by Col. Carmichael to Mr. Slack ?

A--Yes, I returned that to him.

THE CHAIRMAN: The dates of these letters are: The one from Mr. Pope to Col. Carmichael, April 20th,1920, the letter from Mr. Gaby to Col. Carmichael, April 12th,1920. I see in Mr. Gaby's letter he says :

> "The matter came up at a Commission meeting on January 28th, 1919, when the Secretary was instructed to attempt to settle at a figure of $900 without prejudice, for all claims; failing settlement, the parties to arbitrate."

"It came up again on March 25th, 1919, when the Secretary was instructed to advise that the Commission had nothing further to offer and that they were agreeable to arbitrate.

Since then there is no record."

Now, here is your letter of June, 1920, to the Commission. It is signed the Cataract Electric Company, Limited, J. M. Deagle, President, and reads as follows:

"Yours of May 31st received and regret that you block every proposal we make for a settlement. Regarding your offer to settle by arbitration we would be very pleased to accept providing we are allowed to pick one arbitrator to the Commission's one. All arbitrators to be uninterested persons. Please let us know if this is what you mean by settling by arbitration?"

Did you receive a reply to this ? A--No, no reply to that.

THE CHAIRMAN: Was there any reply sent to them, Mr. Jeffery?

MR. JEFFERY: I don't know, Mr. Chairman.

THE CHAIRMAN: He seems to have agreed to arbitrate, and the matter could have been disposed of.

MR. JEFFERY: That is set out in letters to Mr. Deagle time and again.

THE CHAIRMAN: He says he got no reply to this letter that I have just read.

MR. JEFFERY: I do not know whether any reply was made or not. Usually, we acknowledge or reply to the letters, and I think you will find on record some answer to that letter, Mr. Chairman. I have a few questions that I would like to ask.

Q--You entered into an agreement on August the 3rd, I think it was, 1905 ? A--Yes.

Q--There is a clause in that agreement which states that the

agreement is null and void if no action is taken within 12 months, no action with the development work ?

A--That agreement says that.

Q--What action was taken ?

THE CHAIRMAN: What agreement is that ?

MR. JEFFERY: August 3rd, 1905, Mr. Deagle entered into an agreement, and in that agreement there is a clause which says:

> "It is agreed by both parties that if no further action is taken within 12 months this agreement is null and void."

THE CHAIRMAN: Is that the agreement with Graham ?

MR. JEFFERY: Yes.

THE CHAIRMAN: However, Mr. Jeffery, they followed it up by giving a deed.

WITNESS: We made payments and kept the thing alive.

COMMISSIONER HANEY: Q-Did you get a deed of the property? A--Yes.

MR. JEFFERY: Q--You say you made plans, you had plans made of your development. You have the plans here ?

A--Yes, sir.

Q--Can we see the plans ? A--Yes, sir.

THE CHAIRMAN: Is this the one ?

A--That is the surveyor's plan of the property.

MR. JAMES: That is no plan of development.

WITNESS: I haven't got the plans of the generators, and so on. I have correspondence, and so on, about generators

MR. JEFFERY: Q--You said you got out your plans ?

A--I thought you had reference to that plan.

Q--Where are your plans ? A--I haven't got them with me.

Q--Who got out your plans ? A--We got them out ourselves.

Q--You got out your own plans ? A--Yes.

THE CHAIRMAN: Q--I suppose you are speaking of plans

for power development on the site? A--Yes, power development.

Q -Are there any other letters bearing on it which you wish to hand in Mr. Deagle ? A--I should have one here. I think that letter might interest you, from Mr. Slack, April 19, 1920.

THE CHAIRMAN: Yes, this is a letter from Mr. Slack.

COMMISSIONER HANEY: Who is Mr. Slack?

A--The Member for Dufferin.

Q--The Local Member ? A--Yes.

THE CHAIRMAN: This is what he says:

"I had an interview with Mr. Carmichael today in regard to an appointment with the Hydro.

He advised that you make a request of the Hydro authorities for the privilege to lay the whole matter before them. I told him that you have been trying for this very thing as I understood you to say for some years but with very poor success. Kindly advise me if you can get an appointment with the officials or not. In case you do not succeed Mr. Carmichael says he will act, but he says that the request must come from you."

A--I have a copy of my letter to Mr. Slack, if I can lay my hands on it.

THE CHAIRMAN: This is a letter from Mr. Deagle to Mr. Slack, which he puts in:

"Your favour of the 19th instant received and beg to say that you are quite correct in saying that we have repeatedly laid the whole matter concerning our Eugenia water power before the Hydro. We have placed in the hands of the Hydro officials copies of our agreements and deeds of our lands together with copies of surveys, Hydraulic Engineers' plans, etc., covering our Eugenia Falls water powers.

We never have had any difficulty in getting an

"appointment with the Secretary of the Hydro or any of the engineers, but they have successfully blocked it from going any further. In the latter part of March, you will recall yourself, my son, and I having an appointment with Mr. Pope the Secretary of the Hydro when we were to be joined by the Hon. Col. Carmichael at 2 p.m. to take the matter up, and owing to Mr. Carmichael being unable to attend Mr. Pope shut us off into another Department where the issue was completel side-tracked.

We trust that you will be able to make an appointment with the Hydro convenient to Mr. Stover, Col. Carmichael and yourself, and we will join you any day you name preferably at 2 p.m. by your phoning us at our expense the evening before."

Well, then, your letter saying that you agree to the arbitration followed that, this is in April ? A--Yes.

Q--And that is the close of the correspondence, is it ?

A--No, there is a lot more correspondence. It is a little bit mixed up with some other matters. Here is a letter to Mr. Slack.

Q--That is just a letter from yourself?

A--Yes, in connection with it.

Q--It is dated May 5th, 1920:

"In reply to your favor of the 26th ultimo, and to your conversation with the Secretary of our company, I beg to say that in the first place the Hydro have thoroughly examined our agreements, deeds and engineer's plans and know quite well that the water power they took from us belongs half to the Cataract Electric Company, Limited, and half to Mr. Fred. Deagle an electric light and power contractor of Algoma District, and not to the writer as they wish to impress.

"The Hydro are wrong in telling you we would destroy the Beaver Fishing Club's fishing in making our development. As a matter of fact our ponds and raceways would have improved their fishing by enlarging the acreage of their waters one hundred per cent.

The Hydro Secretary's suggestion that we are difficult to deal with seems to have the reverse meaning when both sides of the situation are understood. Grieved by the Hydro's woeful waste along lines where we have been using the strictest economy for twenty-five years prompts us to look for pay for our property. The Hydro Secretary's offer of $900 for a water power of one-fifth the available capacity of the one the Hydro purchased from the old Georgian Bay Power Company (a bankrupt concern) for the sum of $60,000 proves conclusively to any reasonable thinking man that they either paid too much to the Georgian Bay Power Company or that they are deliberately trying to squeeze us out. Does not it seem absurd for a Government institution to make such a trifling offer for the essential part of their property which makes it possible to earn dividends on a million dollars ? Take away this very water power and the million dollar property is practically a total loss. Why, $900 wouldn't pay the New York exchange on the rent due us, if payable in New York funds. With water powers rapidly increasing in value to meet the scarcity and rising value of coal must our rights be ignored ? We purchased that Eugenia water power some 15 years ago for the sole purpose of increasing our supply of electricity and we do not see why we should have our money tied up during that long period of prosperity without a reasonable profit. We have in our

"possession options and agreements carrying us back to the time when we were the first people financially or otherwise interested in the generating of electricity by water power in the vicinity of Eugenia Falls proving conclusively that the Hydro Engineers are wrong in stating that we "acquired these rights for the sole purpose of recovering damages." Further than that we sold our electric power plant (the key of the whole Eugenia development) to the old Georgian Bay Power Company, for a mere trifle, in order that their proposed storage reservoirs would double or triple the capacity of our proposed power plant at the junction of the Beaver and the Boyne Rivers. Before the Georgian Bay Power Company's plans were changed by the consulting engineer, H. A. Von Schon, their development would have worked in perfect harmony with ours, and we proposed to connect our Cataract Power to our Eugenia Power by building lines via Grand Valley, Shelburne and Dundalk. After the Georgian Bay Power Company revised their plans, taking in a portion of our property, we refused a fancy offer for our property, preferring to accept a portion of the developed power in payment of our property. From the foregoing, you will see that recovering damages were never thought of.

Mr. Gaby's suggestion to you that our Eugenia power could not be developed on a commercial basis brings out the fact that there is no comparison whatever between the cost of Hydro developments and operation as compared with our costs. Mr. Fred Deagle's development costs at White Falls proved that the Hydro Engineer's estimate was three hundred per cent too high.

"The Hydro Engineer's estimate on the Chippawa Creek development proved just as inaccurate in an inverse direction. To dwell any further on the Chippawa or Eugenia developments is quite beyond the scope of this letter, besides it would be drawing an a source of information that would meet with considerable opposition in certain quarters and not likely on the whole improve our position or add to the smooth working of the Hydro. We have repeatedly refused journals and periddicals, inside information and technical knowledge concerning the Hydro system, confining our criticism to an occasional roasting of some of the officials, which has been more beneficial than detrimental to the Hydro service.

Regarding the Hydro's offer to arbitrate, we would be glad to accept their offer providing we are permitted to pick one arbitrator to the Hydro's one. Both arbitrators to be men of the highest integrity and uninterested. On several occasions we have asked the ex-Attorney General for permission to sue the Hydro but without success.

To prove the inaccuracy of the Hydro Engineer's assertions that we cannot transmit or distribute such a small block of power at a profit, give us an opportunity of accepting in payment for our property <u>one-half of the amount of power that we would have been able to delelop on our property,</u> delivered to us at 4000 volts, 60 cycle, 3 phase, and we will distribute and sell same to and for the benefit of the farmers of the County of Grey at less than half the price the Hydro charges for such service. In this event the Hydro must give us a free hand to distribute and dispose of same and not hamper us by opposing our

"franchises, enacting new wiring laws to block us from installing such system for farm service as are being successfully operated in the United States or the Canadian Provinces or otherwise legislate us out of business. This proposition would at least partly compensate the farmers of the Township of Artemesia and the County of Grey for their loss through being deprived of their township and county taxes on the million dollar development.

It is well known that our speckled trout fishing preserves at Eugenia Falls was the best of its kind in Ontario before the Hydro damaged it. Now that the Hydro has successfully defeated the greatest ambition of our life's calling (since we are the pioneers in the Hydro-Electric transmission), will they now insist on likewise depriving us of our greatest pleasure in life by spoiling our speckled trout fishing privileges on the Beaver and Boyne Rivers ? What good is $25,000 in damages to us at a time in our lives when a few hundred dollars in a suitable fishing proposition, where we could invite and entertain our friends, recuperate our health and strength in the sunshine and fresh air of our favorite home and surroundings ?

As a third and last alternative, we will accept in exchange for the permanent damages done to our fishing preserves and water powers on the Beaver River, the full fishing and sporting rights on the Hydro Electric Commission's storage ponds connected with the Eugenia development.

The Beaver Fishing Club's lease expires shortly on our property, and it is up to the Hydro, in any event, to take care of them for the duration of their 10-year lease.

"Wishing the Hydro-Electric enterprises unbounded success under the new Government and that it may now be extended to meet the needs of the farmers along the lines that we have been practising for the past twenty odd years, I beg to remain - - "

Is there anything further you would like to say about what took place subsequently between yourself and the Hydro?

A--I don't think so in connection with Eugenia, but in connection with our operations in Orangeville.

MR. JEFFERY: I am not quite through with Eugenia.

Q--In connection with your proposed development at Eugenia, you were going to divert the water from the Boyne to the Beaver? A--Yes, sir.

Q--That diversion or canal would be entirely on your own property which you have bought ?

A--Except that we had to cross a highway.

Q--Everything was clear to go ahead with your development ?

A--We hadn't arranged with the township, they hadn't passed a resolution. We had arranged to close the other road and to go under the highway. We had no written agreement, but we got the other road closed across our pond.

Q-- You had all arrangements made ? A--We thought everything was satisfactory.

THE CHAIRMAN: He said the Council had not passed any resolution.

A--outside of that we had everything straightened out.

MR. JEFFERY: I would like to read something in that connection. We received a communication from the Clerk of Artemesia Township to Mr. Pope, dated April 19th,1914, enclosing a copy of report made by Committee, the synopsis of which is as follows:

"On April 4,1908, the Reeve and Councillor Wright were forming a Committee to enquire into the question of permitting the Cataract Power Company to divert the Beaver River across the Valley Road on Lot 23, Con. 10, and at the following meeting in May,1908, the Committee reported on the matter. Since this report was submitted there has been nothing further done in connection with the matter. The report of the Committee is as follows:

"That this Council take no immediate action in the matter unless the Cataract Power Company give a satisfactory guarantee to the Council that they will develop the said electric light and power plant within a reasonable time and that the request they make does not affect any other property. When they comply with the directions of Council that they get the privilege that they ask by protecting the said highway in the way and manner requested by Council.'"

THE CHAIRMAN: Is that a letter from yourself to Mr. Deagle ?

MR. JAMES: The records of the Township Council.

MR. JEFFERY: Now, the whole matter hinged on Mr.Deagle getting rights to cross the highway. He had no rights to cross the highway, and he had not, therefore, any rights to go ahead with his development.

THE CHAIRMAN: They were, apparently, prepared to give him rights under certain conditions.

MR. JEFFERY: Which were never complied with.

THE CHAIRMAN: He said the Council took no action on it.

MR. JEFFERY: In order to comply with the request, Mr. Deagle would have to promise or enter into some obligations to construct this plant within a certain period

of time. Before Mr. Deagle could do that he would have to raise money to do it, and he would have to get a market for his power, which he did not have. That is all I have to say about that.

I wanted to explain some matters in connection with it. Mr. Hogg, our hydraulic engineer is here, and I want him to show how much power could be obtained from that development, and some other details which, I think, would be of interest to the Commission.

THE CHAIRMAN: You would like to go into that ?

MR. JEFFERY: Yes.

THE CHAIRMAN: I suppose that is a question which would come up in the arbitration, and would be one of the elements in determining what damages, if any, he was to be entitled to receive.

MR. JEFFERY: I would think so.

THE CHAIRMAN: Would anything be gained by going into that now, Mr. Jeffery ?

MR. JEFFERY: I merely want to show that Mr.Deagle hadn't any rights to develop, except that he had bought certain property There were certain conditions entering into the development which he had not complied with and, therefore, he had no rights to develop on that river.

THE CHAIRMAN: However, you have offered to arbitrate with him on this claim ?

MR. JEFFERY: Yes.

THE CHAIRMAN: According to the resolution you offered him $900 ?

MR. JEFFERY: Yes. /He has asked for $25,000 at one time, and $10,000 at another.

THE CHAIRMAN: I do not want to shut out anything at all Mr. Jeffery, but it would seem to me that the question of the development of his rights would be something for the arbitrators to determine, and something that w should not

spend time on here. It appears, from what you say that you are willing to arbitrate, and he is willing to arbitrate, and it does seem to me that the matter is one for settlement in that way.

MR. JEFFERY: We are quite willing, Mr.Chairman, providing your Commission do not intend to make any decision, or any recommendation.

THE CHAIRMAN: We have no idea in the world, I am sure, of making any recommendation.

MR. JEFFERY: I don't want to take up the time, because it is just time lost.

THE CHAIRMAN: We don't intend to make any report as to any damage which Mr. Deagle has suffered from your action.

MR. JEFFERY: You understand our position.

THE CHAIRMAN: We might make some comment upon some of the propositions that have been made, and also as to whether you were willing to put any obstacles in the way of arbitrating it, but as to the extent of the damage I am satisfied that none of us wish to pass on that at all.

MR. JEFFERY: I just want to make it clear, in case you put in a report on it, that I want you to have in your possession all of the facts in connection with the case.

THE CHAIRMAN: We want to have everything, but in our report I am sure we will not deal with any measure of damage which Mr. Deagle has sustained, and that is what Mr. Hogg's testimony would bear on, that he had nothing of any value at all.

MR. JEFFERY: There is just the one point : Mr.Deagle has stated that he was entitled to one-eighth, I think it was, of the whole power development at Eugenia. Our report shows that the maximum amount of power that can be gotten out of that plant under a 60-foot head is about 250 h.p.

MR. HOGG: If I might add a little, the development

was based on the use of 60 foot head, and our records of flow on the Beaver River show that for some months the flow is down as low as 20 cubic feet per second. The flow in the river, I should say, today is a very different thing from what it was at the time Mr. Deagle held those rights, and before we began our developments.

THE CHAIRMAN: On account of your dam ?

MR. HOGG: On account of our dam.

THE CHAIRMAN: Mr. Deagle proposed to erect a dam, did he not ?

COMMISSIONER HANEY: On account of your storage.

MR. HOGG: On account of our storage. The local dam that Mr. Deagle would put in would have no effect.

THE CHAIRMAN: So the minimum horsepower would be about ?

MR. HOGG: 100 horsepower, 20 cubic feet per second, 60 foot head, works out at about 100 horsepower which, with the storage dam would be brought up to roughly 250 horsepower, but the development, as it stood at that time, could carry about 100 horsepower.

COMMISSIONER R. A. ROSS: Had that development been made what effect would it have had on your development ?

MR. HOGG: It would be absolutely prohibitory because the whole flow of the river would have to go down there. It would have been the difference of 60 foot head in place of 550 feet.

COMMISSIONER R? A. ROSS: In other words, a comparison between 100 and about 8000 or 6000, something of that kind ?

MR. HOGG: Yes.

WITNESS. How do you get so much difference between those figures ?

MR.HOGG: 100 horsepower is based on the use of 20 cubic feet per second which our records show occurred for a period

of three months in the summer, and that measurement of 20 cubic feet per second was measured just above the Falls.

WITNESS: We had the benefit of all that storage that the Eugenia Falls Company was going to put in there.

MR. HOGG: Not by any means. They were using 440 feet head --

WITNESS: 413, I think.

THE CHAIRMAN: Of course, this 8000 is your maximum now.

MR. HOGG: Yes.

THE CHAIRMAN: And 100 would be the minimum of Mr.Deagle's development.

MR. HOGG: The minimum --

THE CHAIRMAN: Deagle's maximum, of course, would be much more than that.

MR. HOGG: It would have been 300 horsepower, but no one would put in a development for the use of 300 horsepower when they can only use it for three months. That flow of 60 feet per second only means for a matter of six weeks in the spring.

THE CHAIRMAN: So you think it would not have been a profitable development ?

MR. HOGG: Absolutely not.

THE CHAIRMAN: That is something that you could bring out in the arbitration.

MR. DEAGLE: His statements are very misleading there, that there isn't over 100 horsepower on 60 foot head.

MR. HOGG: The 100 horsepower, you see, is in the summer time.

THE CHAIRMAN: Yes, that is the minimum. Mr. Hogg said that you would have a maximum of 300 horsepower.

WITNESS: We would have more than that, we must have one-eighth of what they have. The same stream goes over there,

that whole valley drains over the Falls.

MR. HOGG: I think, perhaps, you misunderstand me. I said that the bulk of the flow goes down during six weeks in the spring, at which time the flow has been up to 800 cubic feet per second, for a period of three or four days, when the snow leaves in the spring and the rain comes; that 800 cubic feet per second would give in the neighborhood of 4000 horsepower but only for a matter of two or three days.

COMMISSIONER HANEY: And you, naturally, have your storage dam in reserve ?

MR. HOGG: Yes.

WITNESS: The Power Company developing that would have given us the storage. They put a tunnel in there.

MR. HOGG: If you will remember, Mr. Deagle, the layout of the Georgian Bay Company, their final scheme, was very similar to our own, except that they used some 440 feet, between 400 and 440 feet of head instead of our 550, which would have diverted the water entirely around this plant. That was the final development of the Georgian Bay Power Company.

WITNESS: They were willing to buy us out; they offered to buy us out, and we preferred to let them use the storage and we use the water over again.

THE CHAIRMAN: However, those are questions as to the value, and they would come up in your arbitration.

WITNESS: Mr. Hogg is misleading.

THE CHAIRMAN: You will have to put him right when you come to that arbitration.

MR. HOGG: I am sorry if I am misleading the Commission.

WITNESS: 60 goes into 500 so many times.

MR. HOGG: I quite appreciate that, but it is all based on the use of a storage dam up above which will conserve the water but, as I say, except for a few days in the spring that

water would have been diverted around your plant.

WITNESS: They would have taken our plant, they offered to take it over, Graham offered to buy us out.

COMMISSIONER R. A. ROSS: What happened to this Georgian Bay Company ?

MR. HOGG: We bought out the Georgian Bay Company.

WITNESS: Further than that, they paid $60,000 for the Georgian Bay Company with 413 feet fall, and 60 feet of that would be on us --

MR. HOGG: That covered a big acreage of land.

COMMISSIONER R. A. ROSS: What you got, I understand, was an unregulated river which, according to Mr. Hogg's story, would give about 100 horsepower during low water, that is all you could get, and all you could sell with any certainty. I do not know anything about your local question, but it seems to me that if anyone improved your property to that extent something is due them for doing that. Are there any power plants down there ? A--Yes.

MR. HOGG: All powers over 150 horsepower are reserved by the Crown, and unless specifically granted, the power rights are granted at the time the land is granted --

COMMISSIONER HANEY: Was this the case in 1908 ?

MR. HOGG: Yes.

THE CHAIRMAN: I think you will find that when the Patent to that property was issued there was no reservation of that kind.

MR. HOGG: The question I am raising is whether that power is not still vested in the Crown, if it is over 150 horsepower.

THE CHAIRMAN: Well, you paid this other company for it.

MR. HOGG: For their rights.

WITNESS: They paid the other company $60,000, why should we not get $10,000 ?

THE CHAIRMAN: That is something for you to put up to the arbitrators when you arbitrate this question.

WITNESS: Ours is worth may be one-fifth of what the old Georgian Bay Power Company was worth. We should have $10,000 or $12,000 at least. Then we still have our Boyne River undeveloped. We cannot develop the Boyne separately .

COMMISSIONER HANEY: I suppose it was on the basis of that that Mr. Gaby offered him the 5 h.p.

MR. JEFFERY: Very likely. I think Mr. Hogg has brought out the information that I was anxious for you to have.

THE CHAIRMAN: Yes. Is there anything more as to Eugenia now?

A--With regard to the old Georgian Bay, they were a bankrupt concern and behind several years in taxes, and they were glad to accept $60,000. Our taxes never were in arrears, and we always had a use for that power, and we would not like to have sold on the same basis as they sold theirs on.

THE CHAIRMAN: Well, you will have to put that forward when you arbitrate.

MR. JEFFERY: I might say that the Georgian Bay Company had spent over $100,000 in cash in connection with its development before we took it over.

WITNESS: We spent hundreds and hundreds up there and you did not give us any credit for that.

COMMISSIONER HANEY: You do not mean to say that you would take advantage of the Georgian Bay Company and give them $60,000 when you knew they had spent $100,000?

MR. HOGG: That was their offer to us, Mr. Haney.

COMMISSIONER HANEY: I wanted Mr. Jeffery to answer that.

THE CHAIRMAN: Q--Mr. Deagle, now you would like to deal with some matters in Orangeville ?

A--More particularl, in Wellington County.

Q--That is your other development ? A--Yes, the Cataract --

MR. JEFFERY: Q--I might just ask right here, what connection have you now with the Cataract Electric Company?

A--I am not in it at all.

Q--Well, then, why carry on any explanation in connection with something with which you are not connected ?

A--To show how you fellows put me out of business.

THE CHAIRMAN: I think if anybody wishes to bring up anything they should be allowed to do so.

MR. JEFFERY: I just wanted to get the understanding as to why he was bringing it up.

THE CHAIRMAN: He might be doing it from a public standpoint.

WITNESS: We spent several thousand dollars getting poles put through to supply light in the Village of Hillsburg and the Township of Erin. The Hydro made it necessary for us, or the Government, I suppose, possibly backed up by the Hydro, to have certain bylaws voted on by the people, agreements voted on by Municipal Councils, before they could give us a contract for light and power.

Q--Perhaps you should say in respect of what development were these proceedings taken ?

A--The Cataract.

Q--Whereabouts is this development ?

A--On the Credit River near Orangeville.

Q--When was that development made by yourself and your brother ? A--That was made by me the latter part of last century.

Q--It was made by you? A--Yes, sir.

Q--What was the nature of the development ?

A--About 75 foot fall on the Credit River.

Q--What horsepower have you there ? A--About 400 horsepower.

Q--And you developed that, and you put your transmission lines up through the country ? A--Yes, in three Counties, Wellington, Peel and Dufferin.

Q--And that is what you are speaking of now ?

A--Yes, that is what I have reference to, and the conditions today are very much different from what they were, we will say, twenty years ago. The Hydro, through coming in competition wish us have got legislation passed, and they have made it awkward for us to do business, that is, in order to get a contract with Hillsburg we had to get a vote of the Village of Hillsburg which carried by, I think, may be 95 per cent, and we also had to get a vote of the people in the Township of Erin in order to run the wires through the Township. That carried, I think, by 70 per cent, and then we had to get permission from the County Council of Wellington. Well, after everything was all straightened out, everything satisfactory, apparently, the County Council wrote to the Government asking that it be all subject to the Lieut. Governor-in-Council, asking for their sanction of the deal.

Q--When was this ? A--Here are a couple of letters. Mr. Hughson was the company's solicitor at that time.

THE CHAIRMAN: A letter from Mr. Pope, I suppose. This is to Mr. Johns, Assistant Provincial Secretary, and it is dated April 12th, 1920, and reads as follows:

> "Re By-law No. 967, County of Wellington. With reference to your letter of February 12th and my reply of February 20th.
>
> I regret the delay in making reply to your communication but it was caused by the lengthy illness of the engineer in charge of this district, no having the papers and unable to report. I am now instructed, however, to say that the Commission do not feel justified in approving of this bylaw or franchise and would

"respectfully ask that the same be not granted, for the following reasons:-

Clause 8, fixing the rates is in direct violation of the Power Commission Act R.S.O. 1914, chapter 39, section 38.

The lines already constructed and in operation in Orangeville, and elsewhere, have been a source of continued complaint by the town of Orangeville and although requests have been made from time to time, improvements have not been made.

In any event, if this franchise is granted the Commission submit that it would be entirely contingent upon the company undertaking to erect a line up to the standard of the Hydro-Electric Power Commission's lines in that district.

The Commission, under the Inspection Act, are formulating Rules and Regulations governing overhead lines and under the circumstances should be given complete jurisdiction over the construction of these lines so that there will be no repetition of the conditions now existing and that the Commission should have authority over the rates to be charged, etc."

This company of yours, then, was a competitior with the Hydro? A -They were.

Q--And the Hydro have, under the Inspection Act, the right to fix the standard of your work, and also to fix the rates that you should charge ? A--Yes, sir.

Q--And you claim that that gave them an unfair advantage over you ? A--Our rates were just about half what theirs were, so they wanted them raised .

Q--They wanted your rates raised ? A--Yes, to correspond with their rates. That is what I infer from that letter.

MR JEFFERY: Q--Have you anything to show that there was any such inference ? A -I have had a lot of experience,

Q--That is all right, but have you anything to show that the Commission wanted you to raise your rates ?

A--They say they want to regulate the rates.

Q--I am asking you if you have anything to show that the Commission wanted you to raise your rates?

A--Only by that letter.

Q--Then you have nothing ? A--Outside that letter, no.

THE CHAIRMAN: That does not say they wish to raise them.

MR. JEFFERY: Q--Then you have nothing to show that the Commission wanted to raise your rates, and, therefore, the statement you have made is incorrect ?

A--I do not say the statement is incorrect. I am taking from that there --

Q--You made a definite statement here that the Hydro wanted to raise your rates ? A--They wanted to control our rates.

Q--You said raise the rates ? A--That is the view I took out of it, that is my view, that is absolutely correct.

Q--You say that the Hydro wanted to raise your rates, and now I want to know what you have to show that the Hydro wanted to raise your rates ? A--I got my view from that letter.

THE CHAIRMAN: You have no specific instruction from them?

A--No.

THE CHAIRMAN: He has nothing to base that on except the conclusion he draws from this letter.

WITNESS: Exactly.

Q--Did you have any correspondence as to the standard of the line you would be required to put up ? A--No. We brought a deputation down to the Government from Hillsburg, Cataract, Orangeville, Caledon and Erin, and laid the matter before Mr. Drury, Mr. Doherty and Mr. Raney.

Q--Yes, I know. They state here they wish to have complete jurisdiction over the construction of the lines. Did any communication take place between you and the Commission as to the standard of construction which the Commission would require?

A--No.

Q--So there was no action taken. Have they sought to regulate you, in any way, under their Inspection Act ?

A--Well, as far as wiring houses is concerned, for instance, take a double house: One man on one side wishes to give me the wiring, the other man on the other side wishes to give the Hydro the wiring, both being wired at the same time and both inspected by the same inspector. The Inspector's report would go to the Hydro at once. Our report would be held back for a week or ten days.

Q--That is the Inspector's report on the installation made by the Hydro would be made at once, and the report on the installation made by your company would be held back ?

A--Yes, on the same building.

Q--Why was that ? A--To give them a chance to get that business, to take that business away from us.

Q--Do you know of any other case in which it was done? Could you say it was a general practice or not ?

A--I know it was a practice of the Inspector's to discuss or advise people who were building houses to put their installation in under the Hydro instead of us, soliciting business for the Hydro, supposed to be an unbiased Inspector.

MR. JEFFERY: That is a statement, Mr. Chairman, that I want proved, that is an accusation.

WITNESS: Mrs. Byard, of Orangeville, told me that when her husband was at the war, she was worried by these fellows advising her to take the Hydro.

THE CHAIRMAN: Do you think that is an unfair advantage the Hydro has through having the inspection in their own hands?

A--It worked out that way in our case.

Q--Has it worked out in more than the case you have mentioned ? A--I have been at Cataract a great deal of the time, I haven't been in Orangeville, so I cannot tell.

Q--Have you any ground for believing that the fact of the Hydro having the power of inspection in its own hands worked out to your disadvantage in securing business in that district ?

A--I am sure it did.

Q--What do you base your statement on ?

A--Well, Mrs. Byard told me, that is one case, and the other case is where they wired the double house and the one was reported before the other.

Q--Where was that, in Orangeville? A--In Orangeville.

MR. JEFFERY: Q--Is it not possible that the one house may have had some defect and was not passed through the same as the other one ?

A--I understood it all went through.

Q--Do you know ? A--I don't, I expect it must.

Q--Do you know definitely whether both houses passed the inspection? A--I understand so, as far as I know.

Q--But do you know? You are here making certain definite statements,ybu have made a certain accusation, and I want to know definitely whether you know or not ?

A--As far as I know, the whole thing was completed and the wiring was through.

THE CHAIRMAN: He doesn't know of his own knowledge.

MR. JEFFERY: Q--You have made accusations here that the Hydro, because they have charge of the inspection on behalf of the Ontario Government, have been using their position, as such, as a detriment to you and to the advantage of the local commission in Orangeville, and other places. Now, I want proof of that. You have said Mrs. Byard was worried by the Hydro Inspector asking her to take Hydro service ?

A--Yes.

Q--That does not prove your statement, you made a general statement ? A--That is one I have reference to. I have given you the whole detail .

Q--There is no detail to that? A--I have given you the woman's name.

MR. JEFFERY: I think, Mr. Chairman, seeing this is going on the record as an accusation that he should prove it.

THE CHAIRMAN: He states that he has no personal knowledge, it is hearsay so far as he is concerned.

MR. JEFFERY: We have been getting them, you know, more than once.

THE CHAIRMAN: He makes his general statement on the basis of those two cases.

MR. JEFFERY: I will leave it to you to draw your own conclusions from that, but you understand that he makes this accusation, and the newspapers will come out, some of them, with headlines, giving Mr. Deagle's statements as such, which are not proved. That has been done before and it will be done again.

THE CHAIRMAN: If I were running a power company out there, competing with the Hydro, and people who were buying power from me came and told me those things, I should be likely to form a conclusion as to whether they were correct or not. I would form my own opinion, base my opinions on the statements I heard from time to time made by the purchasers of power in that district.

MR. JEFFERY: Yes, you would form your own opinion --

THE CHAIRMAN: There is such a thing as having a general feeling existing in a neighborhood, whether well founded or not, that it is to the advantage to take from one organization rather than from the other.

MR. JEFFERY: Quite possible, Mr. Chairman, but I don't think you would make a definite statement on that. You might say it was your opinion.

THE CHAIRMAN: I understood Mr. Deagle to say that.

MR. JEFFERY: Mr. Deagle made the definite statement.

THE CHAIRMAN: However, we understand he cannot speak positively on that.

COMMISSIONER J. A. ROSS: It is secondhand information.

MR. JEFFERY: As such, I am willing to accept it and let it go, and you can form your opinion. Somebody told him, that is the kind of evidence that I am objecting to.

THE CHAIRMAN: Of course, the outstanding fact is that there are two competing concerns there, the Hydro and the other, and one of these concerns has the full power of inspection of its own plant and its competitor's plant, in its own hands. That mere fact itself is one to raise a question as to the propriety of it.

MR. JEFFERY: Well, that isn't quite correct. The local system is the municipalities' system.

THE CHAIRMAN: Yes, but still it is really part of the Hydro system, and the Hydro are directly interested in its welfare.

MR. JEFFERY: We act as their trustee, yes.

WITNESS: I can tell you something that isn't hearsay. I saw your men up there putting up poles and wires in Orangeville. Of course, the foreman didn't know me, and I called his attention and said "What are you letting that pole lay on the wires for?" It broke off a pin and strained a cross-arm.

THE CHAIRMAN: Q--On your poles ? A--Yes, slacked our wires, and I asked him "What are you doing that for?" I said "Why don't you put it up straight and not touch that wire" and he gave me an insulting answer. One of the men spoke to him and told him who I was. I wasn't in town a great deal, of course, but I happened in that day and saw them doing this, and he was more cautious, of course, after that, but they left our wires around Orangeville slack, and even moved some of our poles.

Q--Without your consent ? A--Without our consent.

Q--Without any authority? A--Without any permission from us.

MR. JEFFERY: I might make an explanation there. The lines on the system of the Cataract Power Company are the worst lines in this country. They are in such shape that it is almost impossible to build competing lines where they exist on the same streets. The lines are of various lengths, and they are not in line, they jog all over the lot. The poles are so rotten, in many cases, that a lineman cannot climb them, and in building a competing system it was very difficult to construct lines with the other lines existing in such shape as they were. These lines are unsafe to the life of the public or anyone who has to work on them, and it is practically impossible to build a competing system.

I might say that in the village of Alton, with whom the Commission have a contract for a number of years, it has been impossible for a system to be built in that village at all until Mr. Deagle puts his line in something like half decent shape.

Perhaps that will explain why, as Mr. Deagle says, some of the pobes rubbed against his wires when they were being constructed.

THE CHAIRMAN: He says you broke them and left them in a broken condition, and some of these were moved by you without his consent.

MR. JEFFERY: Our men had instructions not to interfere with Mr. Deagle's lines, and I think in practically every instance that we know of unless the foremen acted without our knowledge the lines were put back in as good shape as we could possibly put them in, in view of the condition in which they existed.

COMMISSIONER HANEY: Have there been any accidents, Mr. Jeffery, owing to the causes which you refer to ?

MR. JEFFERY: I don't know of any accidents.

COMMISSIONER HANEY: In this district.

MR. JEFFERY: I don't know of any.

THE CHAIRMAN: We were told of one accident just now where you paid damages. Was that damage caused by you in that district or by Mr. Deagle's lines?

MR. JAMES: The transmission line broke across the telephone wire, dropped across Mr. Deagle's wire which carried the 22,000 volts to Mr. Daagle's power house, and there was no means of disconnecting the wire from the power house except by chopping the wires with an axe and cutting them, and a man went up with bare pliers --

COMMISSIONER HANEY: It was your line that broke ?

MR. JAMES: It was our line that broke, in fact it was a line that we bought from the Boyne River Power Company.

COMMISSIONER HANEY: But it was your line.

MR. JAMES: Yes, it was our line and that is the reason why we settled with Mr. Deagle.

THE CHAIRMAN: Now, Mr. Deagle -

WITNESS: In the first place I wish to correct Mr. Jeffery's statement regarding those poles being so rotten that a man could not climb up them. Those poles were put in in 1905, and they came in in 1917. You know yourself, gentlemen, whether those poles are too rotten to climb. We have poles that have been standing up for more than 25 years, so you can tell whether our system is so bad that a man cannot climb a pole. Another statement of his was that our wires were in such bad shape that they have not room to put up a system on the same street. Now, there are two sides to the street and we are only on one side, and they have the other side.

MR. JEFFERY: The telephone line is on the other side prohibiting us from going there.

WITNESS: Well, then our highest pole in Alton may be

forty feet, and the average run of poles is 25, and I do not see anything to hinder them building over the top of us.

COMMISSIONER HANEY: Q--But they were there first?

A--No, we were there for years and years.

Q--So that they had to find their way ? A--Well, they bought out another company, and if there are any jogs in our line it is from dodging the other company's.

THE CHAIRMAN: Q--There were two companies, you and another one ? A--Yes.

Q--Why didn't they buy you out ? A--They figured on squeezing me out, apparently, that is what I thought about it. They burned out our transformers, and set fire to the old power house by charging the line with 25,000 volts, and I don't know how many times they made trouble. Probably Mr. James can explain why they did that. If I did it, why, the people would say I was trying to kill someone, and that current did knock me over half a dozen times, and I got my hands burned. I was knocked down several times in the power house. I think once I jumped like a rooster with its head cut off and landed on my back on the floor, and, as I say, we had a lot of trouble. Another instance where trouble was caused, I couldn't get the generator stopped, and I went to grip the belt, thinking if I got the exciter stopped the alternator would stop, and it seemed to be an act of Providence that those wires didn't touch.

Q--How did this happen ? A--They had strung those wires within an inch of mine.

Q--You don't think it was deliberate ?

A--Well, the papers all think so but I don't think so.

MR. JEFFERY: Mr. Chairman, the whole matter could be very easily settled in your own mind in five minutes if you could just see the lines.

THE CHAIRMAN: Why did you put your line within one inch

of theirs.

MR. JEFFERY: I cannot tell you that. We usually try to give clearance, and the men have instructions to give standard clearance to all lines.

THE CHAIRMAN: Q--That is a definite statement. Do you know it of your own knowledge ? A--I do.

Q--Where is this point ? A--Near the railway track, between John Street and Church Street.

Q--And an accident liable to occur any time?

A--That has been rectified, after that man was killed, but in dozens of places around Orangeville they did run their wires against our poles.

MR. JAMES: I understand the line construction work has to be inspected.

THE CHAIRMAN: You are the inspectors.

MR. JAMES: If anything of that kind happened it would be immediately rectified. I know positively that no lineman would string a line within an inch of Mr. Deagle's wires.

WITNESS: Down on Broadway in front of Dick Young's hotel they went to run a wire --

Q--How close would that be ? A--Within half an inch, that would be.

Q--Was this work passed by the Inspector ?

A--Apparently they could not see that.

COMMISSIONER J. A. ROSS: Q--Did you ever protest over any of these things ?

A--I put in a bill to the Town in connection with one transformer burning out, in fact two. That was the cause of the burning out of one of the transformers.

THE CHAIRMAN: Q--Whose transformer ?

A--The Cataract Company's.

Q--Owing to the close proximity of their wires and yours ?

A--Yes.

Q--When was this ? A--That was when they were stringing the wires in Orangeville.

Q--When? A--I think that would be about 1917. I am not sure of the date. I went to the foreman in connection with it. I said, now, you fellows are running these wires up against our wires, and down there at Dick Young's hotel they had burned out a transformer on me, and the foreman tried to sling a line of technical stuff in connection with it but when I started to give him a few technical terms back he soon stopped .

Q--It didn't suit him ? A--He just quit the discussion.

Q--That transformer was burned out from this, you say ?

A--Yes.

Q--Did any other transformers suffer later ?

A--I think the next pole up, further west, up Broadway. I had another one burned out there a little later.

Q--How was that brought about ? A--They got our wires slack, and they crossed; they had apparently no regard for our lines when they were stringing in there, they pulled their wires over ours, and leaned their poles up against them, so that we had no protection whatever while they were constructing.

COMMISSIONER HANEY: Q--Then you mean to say, when Mr. Jeffery says that your line was very badly constructed, that he did not make it any better ?

A--He knows it, he made it a lot worse. It was left in pretty bad shape.

THE CHAIRMAN: Q--Did they repair these breaks they made?

A--I think may be they repaired that upon the arm, but I never knew of them drawing up a slack wire.

Q--Those wires that had been slacked by them? A--Yes, sir.

Q--They were left slacked? A--They were left slacked.

Q--Were there any poles broken? A--No I don't think so, I don't know of any.

Q--But the arms were broken ? A--Twisted off.

Q--And were they all replaced ? A--They never replaced any arms.

Q--Even if they twisted them ? A--Twisted them out of line.

Q--And they were left in that condition? A--They were left in that condition. They never replaced anything of ours outside of that pin.

COMMISSIONER HANEY: Q--Did you understand this man's language? A--Yes.

Q--And did he understand yours ? A--Oh, I think so .

THE CHAIRMAN: Q--What further, Mr. Deagle, do you want to say about that?

A--I don't think there is anything further.

Q--Have they ever made you an offer for your plant ?

A--The Cataract.?

Q--Yes ? A--That has been discussed at times. They made an offer may be three years ago.

Q--Did you accept it? A--No, we did not accept it.

Q--Why ? A--We did not think it was enough.

Q--What did they offer you ? A--About $48,000 or $49,000. That was mixed up, that was partly bonds and partly cash.

MR. JEFFERY: Q--Have you got anything to show that there was an offer made, Mr. Deagle ?

A--Well, that was a verbal offer.

Q--A lot of these things you have been talking of were verbal?

A--It was sent straight to us.

Q--I might just correct you, there has never been an offer made for your plant ? A--Mr. Pope told Mr. John M.Davis the manufacturer, that they would give us, I think, may be $40,000 in bonds and may be $9000 in cash.

Q--When was that offer made ? A--I would say about three years ago.

Q--I just wish to correct you there, because I have been connected with that plant, for the Commission, for quite a few years, and there has not been any offer made to you or anybody else for your plant, of any kind, either verbal or written? A--You cannot speak for Mr. Pope.

Q--I am speaking for the Hydro-Electric Power Commission, therefore, I am speaking for Mr. Pope ?

A--Well, I am speaking for Mr. Pope, too. He made that statement to Mr. Davis, and there is no doubt in the world it is absolutely correct. He brought the message through and he gave us the full details, terms, and so on.

THE CHAIRMAN: Q--Who owns this plant now ?

A--My son has been operating it since last June, I believe he sold it.

MR. JEFFERY: Q--Who owns it ? A--I don't know who owns the power, I cannot tell.

Q--You don't know? A--No, I cannot tell.

THE CHAIRMAN: Q--You supply Orangeville and Luther ?

A--Yes.

Q--And what other points? A--Well, Cataract and Melville Junction.

Q--How much horsepower do you develop there ?

A--About 400 h.p.

Q--That is the maximum amount ? A--That is the maximum amount. It runs from around 50 h.p. up to a few hundred, it varies.

Q--So you get down sometimes to 50 ? A--At midnight, we will say, the load goes down to less than 50, the lights are all turned out.

Q--Have you got any storage there ? A--Sufficient for the 24 hours. We store for two or three days, over Sunday, and so forth.

MR. JEFFERY: Q--Did you say you did not know who owned

the plant ? A--Not at present, no. My son took it over, but I understand he is selling it to a company.

Q--Do you know who owned it last August? A--Well, he had charge of it, yes.

Q--Well, who owned it ? A--He did, the Cataract Electric Company owned it.

Q--Yes, but who were the owners ? A--I was out of it.

Q--You had one share at that time, one share of stock in August ? A--No, I don't think I would have.

Q--I have a statement here, as to who owned the plant. Mrs. Deagle owns 97 shares, F. Deagle owns 20, Lorne Code 2 shares, J.L.Ireland 2 shares, J.M. Deagle, that is yourself, 1 share and L.M.Deagle 2 shares, that is a list of those who owned the plant? A--Yes. At the present time though, I haven't any information. If that is made in August I think there is a little discrepancy in it.

THE CHAIRMAN: Are there any more questions you want asked, Mr. Jeffery?

MR. JEFFERY: None at all, Mr. Chairman.

THE CHAIRMAN: Anything more you want to say, Mr. Deagle? A--I don't think so.

THE CHAIRMAN: There is no one else with you that wants to speak on the subject?

A--No, my brother couldn't get away.

THE CHAIRMAN: It is now about 1 o'clock and I don't think we will hear anything more just now. We shall adjourn until half past 2.

(The Commission adjourned at 1 p.m. until 2.30 p.m., Wednesday, 20th December, 1922.)

2.30 P.M. SESSION,

20th DECEMBER, 1922.

THE CHAIRMAN: I understand there is a deputation here from Stratford. If they will come forward now we will be pleased to hear what they have to say.

ROY E. HARRIS
M. I. HIGGINS } Stratford.
H. J. PETER

ROY E. HARRIS, Examined.

THE CHAIRMAN: Q--Well, now, Mr. Harris, what is your complaint?

A-- Our complaint is the lack of co-operation.

Q--What is your business, what are your relations?

A--I am with the Bennington Electric Company, there are three of us in partnership. Mr. Higgins is in business for himself, and Mr. Peter is a partner of Peter Sylvester.

Q--And what is the nature of the business ?

A--Electrical.

Q--That is, what kind , appliances, fixtures ?

A--General, appliances such as irons, toasters, washing machines, ranges, general electric --

Q--Are you manufacturers ? A--No, sir.

Q--Where is your business located ? A--Stratford. Our grievance is the lack of co-operation which we were promised prior to the opening of the local hydro shop in Stratford.

Q--Co-operation with the Hydro? A--Yes.

Q--The Local Hydro? A--Yes, sir.

COMMISSIONER HANEY: Q--What do you mean by co-operation?

A--Working together. We are working on the installation

of ranges, etc. to build up the Hydro load and, incidentally, to make a living, and the trouble is that they are doing some things which do not meet with our approval, and quoting very very low prices which we cannot live at.

Q--They are your competitors, are they? A--Yes, sir.

COMMISSIONER J. A. ROSS: Q--They are operated by the Local Hydro, are they not, and not by the Provincial Hydro?

A--We have found that out since we came down here, that probably we are in the right church but the wrong pew.

Q--That is all right, our Commission covers all the activities of the Hydro ?

A--In electric wiring, now I have taken the 12 last installation of ranges. They set a price on a No. 6 service at $35. regardless of the distance in the house, the size of the house and length of service that has to be installed, and they do not take into consideration where the old wiring comes in.

COMMISSIONER HANEY: Q--They give a flat rate, do they ?

A--They give a flat rate, yes, in the cases that I have here. In the last twelve that we have completed our actual costs are leaving us a very very low margin, and an unworkable margin. If we continue, why, we will be in the hole.

THE CHAIRMAN: Q--Is the amount of work they do under their flat rate double they would have to do in other houses?

A--In some cases it would possibly be three times, I have them here. The last job we did it cost us $40.80. Now, that is for wages and material without any overhead expense or profit, and we got $45. for the job.

Q--It cost you ? A--$40.80.

COMMISSIONER HANEY: Q--And is that an installation that would be put in by the Local Hydro for $45 ?

A--For $45, that is a No. 4 service.

THE CHAIRMAN: Do you have to meet them always ?

A--Yes, sir. If we don't we are out of luck.

COMMISSIONER R. A. ROSS: Where do the iniquities of the local Hydro come into our picture ?

THE CHAIRMAN: Well, they are all under, more or less, the supervision of the Provincial Hydro.

MR. HARRIS: Mr. Jeffery could advise as to that.

COMMISSIONER R. A. ROSS: Yes.

THE CHAIRMAN: What do you have to do with the local Hydro's rates ?

MR. JEFFERY: This isn't a matter of rates. This is a matter, as I understand it, of prices which they charge for installation of ranges and wiring, if I am correct.

MR. HARRIS: Yes.

MR. JEFFERY: The prices they charge for doing that work, at which I understand the witness, Mr. Harris, to say they cannot make a living at, the figure was so low. As far as that goes, we have nothing whatever to do with the fixing of those prices for wiring. We have nothing whatever to do with the prices at which they buy and sell their commodities, such as washing machines and vacuum cleaners, etc. We do sell them this equipment if they want to buy it from us, that is, we will arrange to purchase it for them and sell it to them at a good figure, keeping just enough for the work which we do in seeing that they get a good purchase and good equipment, but the figure at which they sell them is something which they decide themselves.

THE CHAIRMAN: You haven't any supervision over them at all?

MR. JEFFERY: Not over those figures. We make recommendations but we cannot force those rates.

THE CHAIRMAN: Of course, your recommendations sometimes would have the force of law, almost.

COMMISSIONER R. A. ROSS: Do you make recommendations as to the price they shall charge, or interfere with them in

any way.

MR. JEFFERY: We do not interfere with them, but we do recommend that they should sell at certain figures, and those figures are the re-sale rates, or the re-sale prices at which any other dealer can buy and sell those goods himself, that is, the re-sale prices which are fixed by the manufacturers of those goods. We believe that, in the main, those prices are fair, and a dealer requires a fairly good margin in order to handle this equipment, because he has got to keep quite a big stock. That stock depreciates on him, more or less, and he cannot handle this on too small a margin.

THE CHAIRMAN: So you do recommend the margin that he shall charge ?

MR. JEFFERY: We recommend that they shall maintain the retail prices.

THE CHAIRMAN: But you have nothing to do with the wiring? A--Nothing at all.

THE CHAIRMAN: Don't you make any recommendations?

MR. JEFFERY: None at all.

THE CHAIRMAN: It was mentioned to us the other day that that really forms a part of the price, it really forms a part of the cost to the consumer, and that the other dealers maintain it had the same effect, and that they had to compete against them.

MR. JEFFERY: That, of course, would have nothing to do with us, Mr. Chairman.

THE CHAIRMAN: But if you found they were cutting the price of installation and driving the local men out of business in that way wouldn't you have something to say about it ? A--We would have something to say, Mr. Chairman. Every electric contractor dealer that is in business is working for us. We consider him as one of our clients, because he is bringing grist to our mill, and we do not want to do

anything to discourage the contractor dealers in any way.

THE CHAIRMAN: And if you found that was being done and that they were being put out of business through the local organization installing for too low a cost wouldn't you have something to say about it ?

A--We would most strongly recommend that they should charge a reasonable rate, and we from time to time do that, but we have no control over them.

THE CHAIRMAN: By virtue of your relationship with them you do exercise the right to make certain recommendations which, I fancy, they would not be very quick to disregard.

MR. JEFFERY: They do not always follow those recommendations. I do not think any of those gentlemen here will accuse us of not having recommended to anybody in Stratford that they should get a fair price.

THE CHAIRMAN: Yes, if they went to you and represented that conditions were such that they could not carry on business, as Mr. Harris says, you would take the matter up ?

MR. JEFFERY: We would do what we could. I might say that there are certain local conditions in Stratford which are peculiar to Stratford, that is, certain individuals went into office on certain platforms, that they would do certain things with regard to the handling of appliances, that is, opening up a Hydro store, and those men who went in on that platform believe that they have to maintain a certain position in connection with that. Probably those men will explain that. I believe those men maintain that they have to, in view of the way they went in, on a certain platform, maintain a certain position, and that they cannot do anything else, and that is what they are doing in cutting those rates low. I do not know whether I am right or not.

MR. HARRIS: You are right.

MR. JEFFERY: That is something over which we have no control. We do what we can by way of recommendation.

THE CHAIRMAN: Have you done anything yet ?

MR. HARRIS: I went to the Chairman of the Commission, that is, before they opened the Hydro shop, with the idea of co-operation right from the very start, and he said to me "Roy, it cannot be done. Our platform isn't that policy", and he said "You heard what Macdonald said at the election", and he said "the people are looking for us to give them stuff at cost".

COMMISSIONER HANEY: Q--Did this platform embrace the flat rate that you referred to ?

MR. HARRIS: No, it hasn't anything to do with the flat rates which we pay.

Q--I am speaking of the flat rate for installation which you referred to, where some houses would cost more than others and their rates are the same irrespective of the amount of work.

MR. PETER: They did not pertain to that.

Q--Their platform did not embrace that ?

MR. PETER: No.

MR. HARRIS: They said they were going to give the people electric irons and washing machines at cost. Stratford is a working man's town, and the people there think cost is the invoice price. They do not grasp the idea properly, possibly because Mr. Mason got up the second evening, and said --

THE CHAIRMAN: Q--Who is Mr. Mason ?

A--He is the Chairman of the Local Commission, and he said that cost would be the invoice price plus the necessary expense to carry on the Hydro shop.

COMMISSIONER HANEY: Q--Without profit, without any dividends to the shareholders ? A--Oh, no, they don't look for that.

Q--Or any profit whatever ? A--No, none whatever.

Q--Does it provide for their salaries? A--They are not

supposed to have any.

Q--They don't have any ? A--Not to my knowledge, I never heard of it. You see, they run the waterworks and the Electric Commission together, and Mr. Mason's platform has always been the Waterworks. It is his pet. We had a very poor waterworks system there, and the supply of water was very bad, and he took it upon himself to supply the city of Stratford with real water which we have. He has always taken that as his platform, and you couldn't defeat him, I don't think, at the polls.

Q--They wouldn't know what to do with the money if they had a profit ? A--They would take and spend it in advertising to create a market for such as electric refrigerators and the appliances that the buying public haven't heard about, such as new washers. They would spend their surplus in that way. I think Mr. Jeffery will bear me out, I think that is universal over the system.

MR. JEFFERY: We recommend though that they shall maintain the price at which those appliances can be sold, at a fair margin of profit, that is, a living profit by the contractor dealers, and that any profit they may make shall be spent on advertising and advocating the sale of more appliances.

COMMISSIONER HANEY: Propaganda .

A--Propaganda,

MR. JEFFERY: To boost the load and get more business.

MR. HARRIS: And their slogan is "A year to pay the Hydro way".

THE CHAIRMAN: I have seen something like that in our street cars.

A--Here is the absurd part of it: A woman comes in and asks for an electric iron which sells for six or seven dollars, as the case may be, or some other appliance, and asks you to

accept 25 cents a month or 50 cents a month; we have been asking them for $2., but the experience we have had with our book-keeping system why, it costs us too much, and we are better to pass that business up.

THE CHAIRMAN: Mr. Jeffery, what do you think of this case, I think we know enough of it now.

MR. JEFFERY: Well, I think that the matter should be taken up by our Commission or some representative of our Commission and endeavour to get the Stratford Commission to co-operate with the contractor dealers in Stratford.

We believe that every contractor dealer we can get on our system, no matter where it is, is an asset, and we do not want to do anything at all to run them out of business. We want to help them stay in business, that has always been our attitude in connection with this matter.

MR. HARRIS: Another thing, we put on an advertising campaign in washing machines and as soon as we announced our terms, $5. down and $2.50 per week we were driven into a time payment plan which we hated to have to take on, but there was nothing else to do. I looked up the records last night of washing machines sold this year, and only one-quarter of the sales we have made are cash sales. It takes quite a little bit of money to finance this.

COMMISSIONER HANEY: Q--Do you make a discount for cash? A--No, sir. There is a price set by the manufacturers as a cash price. On washing machines, to my knowledge, I have never read or seen it advertised where they will accept less than $5 down, but as soon as we announced our campaign here they came out "$1.50 a week puts a Hydro washer in your home". They cut their rate down to $4, that is, $4. down and $1.50 a week. Now, just imagine a washing machine that sells, for instance, at $235, a Thor, how long would that woman be paying for that washing machine ? The thing would

be half worn out by the time she had it paid for.

THE CHAIRMAN: Q--Do you want to say anything about your relationship with the Ontario Commission at all?

A--No. I have the copies of the papers here, and have all their issues with the exception of one, that they ran that week, and they went at us just as hard as they could.

THE CHAIRMAN: I think that is a matter for Mr. Jeffery and his men to take up.

MR. JEFFERY: We will be glad, Mr. Chairman, to take the matter up and do whatever we can. Our policy in connection with the matter of the sale of appliances is to get the appliances into the home. We are not particular who puts it there, whether it is the Hydro shop or the local contractor dealer so long as we boost up the load.

MR. HARRIS: Probably that is the feeling of the Hydro Electric Power Commission but it is not the feeling of our local Commission.

MR. JEFFERY: We will be glad to take the matter up with them and try to get them to co-operate.

MR HARRIS: In another case, we sold a certain washing machine long before the Hydro started in business --

THE CHAIRMAN: Q--Do you sell any of these supplies to this local shop ?

MR. JEFFERY:

I am not sure whether they buy from us or not, but it is just possible they do. Some of the shops do and some of them don't, and it is quite possible we had supplied some of these supplies to them.

MR. HARRIS: Those certain washing machines that we were selling, we were satisfied that we were both selling at the same price. The wholesale price on this machine was $160. We stuck at the price right through, but they dropped down to as low as $150. That is on one type of machine.

In another case, the price was $175, and they dropped down to $160, and it wasn't long after until we got notification from this manufacturer that they could not supply any further machines, and that if we wanted them we would have to pay them the retail price.

COMMISSIONER HANEY: Q--How do you explain that ?

A--Well, sir, that is just a matter of --

Q--Inference ? A--They tied this manufacturer up to those washing machines and would not let him sell us, and in another case I had a mighty good prospect for an electric iron, and I had written to this company for their price and I did not get a reply. Their salesman came into our store one Friday and wanted to see me and I was out, so Mr.Bennington, my partner, told me that this agent was in town, and I saw him, and I asked him, and he said to me "We are tied up with the Hydro". Well, I said, could we buy one from them ? He went in and asked the local sales manager, and he came out with the reply "Absolutely no, while we are handling your appliances we are going to handle them, or out they go."

THE CHAIRMAN: Q--When they say they are tied up to the Hydro, do they mean the local Hydro? A--Yes. They naturally feel it is going to be their greatest outlet, but if the manufacturers would only see it, and feel that everybody was behind them, why I think that article could not help but become very popular. Naturally, while we cannot buy that article we are going to sell something else, and right here I might say that lately I have found out that I can buy this iron, and I can compete with them. I can buy it through another source, but that is only antagonistic, it isn't the right spirit in the City of Stratford.

Q--You want co-operation? A--Sure. If we can go over to our local shop and buy a thing which we haven't got, why, it is nothing but right, and it is only right that we should be able to do that, and that was what one of the Commissioners

gave me to understand, that if at any time we wanted anything they had, why, come over, we will be glad to take care of you, but that never has taken place yet.

Mr. Mason, the Chairman of the Local Commission, gave us to understand, told Mr. Bennington and myself, that after they got running they would have a meeting of the different dealers, and that we would meet their Manager and get together. That day has never come forward. I went down to his office one day and spent about three hours with him trying to co-operate and got turned down flat.

On some re-sales I realize that no manufacturer can stay re-sale prices, and absolutely demand that they be maintained. There are some products that are sold throughout Ontario at a certain price. In a case like that they would sell quite a quantity of this particular article, that is, the local Hydro, and will drop down 50 cents to a dollar underneath our price. If they see them in our window why, they will choke their window full of them --

Q--Notwithstanding their agreement to sell --

A--There is no agreement, sir, not unless a manufacturer goes to a man and gets him to sign a contract that he will absolutely maintain the price.

Q--I thought they required that ?

A--As I understand the law, a manufacturer cannot come into a man's store and demand that he sell a particular product at the re-sale price unless he has agreed to do so.

Q--I believe you have to have a contract, yes?

A -- It is mostly in the regular and more generally sold appliances that they go for us, such as well advertised articles, irons, Canadian Beauty and Hotpoint Irons. Speak-of the hotpoint iron, they will drop down as low as $1.25 beneath us on the retail price of $7., so it is a pretty hard thing to getalong and face this music all the time, and not

only that but this particular washing machine that I had reference to the re-sale price is $160. There was some change made in their discounts and, under the circumstances, they having those machines only in the city they felt that they could boost the price, and two customers have been in our store, and one was quoted $165 and another $167.50, time payment, 7 per cent interest. They have boosted the price of this washer from $160 to $167.50. Now, we have one of those machines on our floor, and it is none of their business where we got it, and we have been quoting it at $160, which is the right price.

Q--What is considered to be a reasonable gross profit ?

A--Well, on an article like that we get a discount of 25 per cent off our invoice price, Then we pay 2½ per cent tax, and then you have to pay your freight to destination, and cartage, why, you are getting pretty close to 18 per cent, which isn't enough.

Q--Oh, yes, but your gross profit would be over 30 per cent. You get 25 per cent off ? A--Yes.

Q--That would be 33 1/3 per cent? A--You make about 18 per cent on your re-sale price. That isn't on your wholesale price. That is where lots of people make the mistake, they take and figure profit on their wholesale price, and then when they come to figure their year's business they take their retail price and that is where they get in wrong. There are too many dealers who have gone down on that point, but there is room for a lot of argument.

COMMISSIONER R. A. ROSS: Q--I suppose there are more casualties in your business than in any other business in the world?

A--Yes. Just to give you a record of them. In Canada there are 1200 dealers -- so I am given to understand by a man who has gone through the records -- five are ofer $50,000

35 are between $10,000 and $25,000, 100 are between $5000 and $10,000, 200 are beteen $1000 and $5000, 250 are $500, and 610 are $500 and less.

THE CHAIRMAN: Well, that isn't surprising, in a sense, because it takes very little actually to start one of them.

A--We have over $18,000 tied up in our small stock.

Q--I know some people that can start with very small capital, it has been done. There is no doubt about it, and it makes it very risky selling to them too?

A--Where a man has established a fair connection, and has invested his money in a business, and then to be trimmed out of it, why, there isn't very much encouragement to continue.

Q--Mr. Jeffery says he will try to help ?

A--If we get his word that we will get assistance that is what we want.

MR. JEFFERY: Of course, I cannot promise that we can persuade the local Commission to co-operate with you, but we will do what we can.

THE CHAIRMAN: There are often some things that Mr. Jeffery cannot do even.

COMMISSIONER R. A. ROSS: Your trouble is that whereas in former days you had competition enough, Heaven knows, you have now got this additional formidable competition?

A--Yes.

MR. HIGGINS: I would like to say a few words. Did not the Hydro Commission here advise that these local Hydro shops should be placed in all the municipalities of Ontario, wasn't that the recommendation and the reason why these things were started in the first place?

MR. JEFFERY: Yes.

MR. HIGGINS: What was it put up there for, what is the advantage of putting the electric contractor out of business?

Was that the intention ?

MR. JEFFERY: No, to help them.

MR. HIGGINS: Was it to build up your load ?

MR. JEFFERY: Yes, exactly.

MR. HIGGINS: Are you building up your load by selling table lamps, vacuum cleaners, washing machines, etc., does that build up a load ?

MR. JEFFERY: Those will all help.

MR. HIGGINS: The washing machines that are sold in Ontario, all of them, what load would they figure at, how much would they increase the load?

MR. JEFFERY: I don't know, but they would all help.

MR. HIGGINS: Why not leave that to the legitimate dealer? I am in the Radio business at the present time, and now they even want to come into the Radio business.

THE CHAIRMAN: Q--The Hydro shops ?

A--The Hydro shops, yes. I put in a little stock of Radio articles. The Hydro have got in three or four sets, but at the present moment they have sacrificed most of their stocks. They advertised them, and I think it is in the paper at the present time, but the mere fact of their selling Radio sets isn't building up the Hydro-Electric Commission load by a long shot. How are you people going to pay dividends by selling things when you give a man 10 per cent to go out and sell an article from door to door, I cannot see it, and if you do not pay dividends why should you be putting us out of business ? We do not mind all the Hydro-Electric opposition if they will do business legitimately.

MR. PETER: It is unfortunate that we happen to be in this electrical business and have to put up with this sort of thing, but it is certainly very very discouraging after working up a business to have to put up with this competition, which is the very worst competition that we have locally, and

I am sure if there is any way of having it removed we will be only too glad to welcome any of the Hydro officials to help us straighten it out.

COMMISSIONER HANEY: Q--All you are asking for, Mr. Peter, is a fair field and no favours?

A--Absolutely. All we want is fair treatment. We do not want to be put out of business, not if we can possibly help it. I did not know whether you people would be even concerned in our local conditions, I thought this was Provincial.

THE CHAIRMAN: Well, it is pretty closely allied with the other, in fact, I suppose it is part of the same system. It may be a little beyond the line. Those shops are subject to Hydro recommendations, and Mr. Jeffery may be able to use his influence. I suppose, as he says, they haven't any absolute control over them. Who constitute the Commission?

A--There are four Commissioners, a man by the name of Macdonald, Mr. Mason, Mr. Clark and a man by the name of Stevenson.

Q--Is the Mayor a member ? A--Mayor Gregory.

COMMISSIONER HANEY: You ought to get a square deal from a Gregory? A--We do. If they were all like Gregory they would be all right. There are other Commissioners on there who are not out to co-operate, as they agreed to at one time. It seems to work the other way.

MR. JEFFERY: I might say, Mr. Chairman, that we have not heard anything about this, I did not know that there was dissatisfaction there. I did know that Mr.Mason and Mr. Macdonald had ideas of their own as regards the running of the shop. Now, we did advocate a shop for Stratford, in order to help boost the load through advertising the sale of appliances, and we do advocate shops wherever a town is big enough to handle a shop, for instance, in Toronto, we

are advocating more or bigger shops, and in Hamilton, Windsor, Walkerville and London, and those places, and I believe that, in the majority of cases, those shops co-operate. I think the gentlemen here will bear me out.

MR. HARRIS: Windsor and Walkerville do.

MR. JEFFERY: I believe in London some times there have been certain conditions obtaining when they did not always co-operate, but I think the general rule is that of co-operation. It helps everybody in the business, and helps us too. It advertises the ware of every contractor and his merchandise, and I believe that wherever these shops have been opened, and where the spirit of co-operation is prevalent, it has not cut down the business of the contractor dealer but it has rather boosted the business, and we will do everything that we can possibly do to help those men get this matter straightened out in Stratford. I will try and see them before they leave tonight, and see whether we cannot arrange some scheme of action.

THE CHAIRMAN: I think that is very fair, gentlemen.

THOMAS R. HUXTABLE (Barrie) - Examined.

Mr. Chairman and Gentlemen of the Commission of Inquiry, I am here today representing the Pine River Light & Power Company, which was originally the Duffer in Light & Power Company. I suppose the easiest way to get acquainted with this matter is to get a history of the Dufferin Light & Power Company. About the year 1908 I owned two waterpowers. I owned the waterpower at Horning's Mills, and also the waterpower 3½ miles east of Horning's Mills.

THE CHAIRMAN:
Q--Where is Horning's Mills from Orangeville ?

A--Horning's Mills is 22 miles north of Orangeville.

Q--Straight north ? A--North and East. It is in the Township of Melancthon, in the County of Dufferin.

MR. JAMES : About 20 miles due west of Camp Borden.

MR. HUXTABLE : It is 30 miles due west of Camp Borden.

MR. JEFFERY : I have a map here if you would like to see it, Mr. Chairman.

THE CHAIRMAN : Yes, I would like to see it.

MR. JAMES : Horning's Mills is in the Township of Melancthon.

MR. HUXTABLE : Lots 13 and 14, First Concession, and the other waterpower is in the Township of Mulmur, Lots 14 and 15 in the First Concession, 14 and 15 in the Second Concession of the Township of Mulmur.

THE CHAIRMAN : Q--Where do you say your first development is ? A--The first development, in the Village of Horning's Mills.

Q--That was in 1908 ? A--That was in 1908, yes, and I owned the other power which was undeveloped in the Township of Mulmur, on the Pine River, 3½ miles east.

Q--The same stream ? A--The same stream, 3½ miles east of Horning's Mills.

Q--That would be further down the stream ?

A--Further down the stream, yes.

Q--What was the extent of these developments, how much power did you generate ? A--How much power did we generate ?

Q--Yes? A--We have an installation of two or three hundred horsepower, water wheels, in the one, and we have an installation -- the first installation gives 600 h.p. - and in the other we have two 78 h.p. turbines. That gives 156 h.p. in the one at Harding's Mills, and 600 h.p. installation in the lower one, but that was undeveloped in 1908, and we conceived the idea then of hooking that waterpower up with the steam plant in Orangeville, which was owned and controlled by C.W.Watson, and the Pickering steam plant which is owned and controlled by James Pickering.

Now, in order to promote this proposition,- I wasn't a promoter myself, or rather I had very little experience at the business -- I got in touch with a man by the name of Hastings, and Hastings undertook to organize the company, so he got Mr. Wilson of Toronto, Mr. George McIntosh of Orangeville, and Mr. T. H. Silk of Shelburne interested in it, to act as Directors of the Company. The Company was organized and called the Dufferin Light & Power Company, with a capitalization of $200,000, and a bond issue of $110,000.

We started development, and I was appointed Manager of the Company.

Q--Was anything paid in of that $200,000 ?

A--Any of the common stock ?

Q--Yes? A--There was $100,000 put in the Treasury.

COMMISSIONER HANEY: Q--Of the stock ? A--Of the stock, and the balance of the stock was given for bonuses and for promotion purposes.

THE CHAIRMAN: Q--For the sale of bonds ?

A--Bonuses for the sale of bonds.

Q--And stock? A--And stock, and promotion purposes took up the balance of it. We went on with our development, we sold bonds, we did not sell any stock. The bonds were bearing interest at 6 per cent, and we sold the bonds and used the money for developing the lower waterpower. I took bonds for this lower waterpower. Well, I took $5000, I might as well tell you that, of bonds, and $5000 worth of common stock. I got no cash whatever for my property.

COMMISSIONER HANEY: Q--How much land went with this property ? A--There would be, I think, about 150 or 160 acres. It was in different Parcels.

Q--Before that you got $5000 in bonds? A--$5000 in bonds and $5000 in common stock, and then I leased to the company for ten years the waterpower at Horning's Mills at a minimum of a thousand dollars a year, or a cent a kilowatt for the power generated. The company was to supply the electrical apparatus, I was to supply the operator and the waterpower. No, I didn't supply the operator, they supplied the operator. I got that for the waterpower. I was in the milling business at the time, and it meant, in order to convert my power at Horning's Mills into a generating station, the expenditure of considerable money, so I spent on this power at Horning's Mills in turbines, valves and power houses about four or five thousand dollars of my own money to put that in shape. Now, that would be in the year 1909-10. We started this waterpower at Horning's Mills, then we built six miles of transmission line to Shelburne, cutting out the steam plant at Shelburne, carrying the load in Shelburne from the water-powed at Horning's Mills, doing this to cut down our expense while we were building the lower dam, three miles further down the river.

The lower dam was a construction 60 feet high, an earth dam, about 1600 feet in length, if I remember, on top, probably

200 feet at the base, in length, up and down stream. In other words, it was 60 feet high with a slope of 2 to 1 on the top and 2½ to 1 on the base. It was entirely an earth dam, with a puddle clay core.

We built a forebay and a spillway that cost us, I think, in the neighborhood of $5000. We have those figures. We built a 4½ inch wooden stave pipe, 1550 feet long, that cost about $3. a foot. We put in 250 feet of quarter inch steel pipe, with two Jinks Turbines, with valves, and so forth, contract price of which was eighty-eight hundred and some odd dollars at the factory without installation. We built the power house of concrete and reinforced steel, at a cost of about $10,000.

The dam itself cost us between $42,000 and $43,000, and we completed our transmission line then to Orangeville at the same time that the dam was completed. We started operating in about 1912.

The Dufferin Light & Power Company, in about 1911, got into financial difficulties, and they found that they were going to have to face the interest on their bonds, so they induced one of the bondholders to make application for the appointment of a Receiver, which was granted, and Mr. Clarkson, in Toronto here, was appointed Receiver.

The Directors of the company held no bonds whatever; they held nothing but common stock, and they held the controlling interest of the company, outside of what was in the treasury, so they induced, or persuaded rather, one of the bondholders, Mr. James Pickering of Shelburne, to make application for the appointment of a Receiver which, as I say, was done. Previous to this they induced, or asked, Mr. Hastings to give up some of his stock. Mr. Hastings, seeing the financial difficulty that they were in, gave up to the three directors $63,000 worth of stock provided they would put up an additional sum of money of about $40,000 to

to complete the dam, making in all an expenditure of $110,000 for which bonds have been sold and the money spent. In addition to that they had an overdraft in the bank of $45,000, and for that overdraft Mr. Hastings gave up $63,000 worth of common stock to the directors.

After that they went into liquidation. The directors naturally hoped that they could make some arrangement with the bondholders to go on and complete this proposition. The proposition they offered the bondholders was that they would go on and complete the dam if the bondholders would take a second mortgage for their $110,000and give the directors of the old company a first mortgage for the $45,000 of money necessary to complete the dam. Well, we did not look upon that very favourably.

We had a meeting in the Walker House here and Mr.Cherry and myself, at this meeting, were appointed to wait on Sir Adam Beck, and we laid the whole case before him and asked him if he would come and buy us out while we were in that condition, buy out the property. He said, or words to this effect, "I do not expect that we will be in that locality for probably ten years. It is outside the Niagara zone, and it is at the extreme end of the Northern zone, and we have no invitation in there, so we do not expect to be in there." He did not say "We won't be in", but he said "We don't expect to be in there for ten years."

THE CHAIRMAN: Q.-That would be about 1911 ?

A--That would be 1912. I believe it was Christmas, about this time of the year 1911. So we organized ourselves, and we had $80,000 of the $110,000 issue represented at that meeting, and we decided that we would buy that property for ourselves, being the bondholders. The stockholders wanted me to stay with them but I said No. I said we went into that proposition as a speculation and, of course, so far as

I was concerned, it was an equal investment. I had the same amount of stock as I had bonds, and I said "No, the stock represents a speculation, the bonds represent an investment." I said, I am going to stay with the bondholders. Well, they said, you cannot organize those bondholders against three of us. Well, I said, I think I can, it is worth a trial anyway. I said, we certainly will not agree to your proposition to give you a first mortgage on the property and take a second mortgage for the first issue of bonds.

So the result was that the sale took place, and we bought the property. We were appointed -- when I say We, that is Mr. John M. Kilbourn, of Owen Sound, Mr. Robert McGregor of Galt, Mr. S. J. Cherry of Preston, C.W.Watson of Toronto, myself and James Pickering -- a Committee of Trust to act for the bondholders, and they gave us power to do whatever we thought best, and they would agree to it. That was only verbal, so in order to square ourselves as a Committee of Trust I went through the Province of Ontario, the Western part of the Province, and I got every one of those bondholders to sign an undertaking that they would deposit their bonds with us and, if necessary, if we did buy the property put up their pro rata of the cost that was necessary to complete the development, and that we would reorganize the company.

Well, after that, the sale took place. The stockholders followed us up to $45,000 or $55,000, I believe it was, then we bid $56,000 and we got the property. We bought our own property in for $56,000. We were ready to pay $100,000. We figured that if they would go up to anywhere between $90,000 and $100,000,why, we would drop the $20,000 and let them have it, but they didn't come anywhere near that figure, so we bought it in. It did not matter whether we took it in for $50,000 or $80,000. As I say, we were ready

to pay $100,000 and no more, acting as Trustees.

THE CHAIRMAN: Q_-All the bondholders were in that ? A--All the bondholders were in that. Then we immediately took all those bonds to the Merchants Bank at Owen Sound and we raised money on them. We did not offer them for sale, because the market wasn't good enough, the market wasn't in very good shape at that time for the selling of 6 per cent industrial bonds, so we just took them to the bank and gave our own personal securities with the bonds for any advancements that we might require to complete the proposition.

We completed that proposition and put it in good shape, and that cost us $80,800 or $80,900.

Q--In addition to what you had paid ? A--$80,000. Of course, that includes everything. That was our total expense. Of course, we had already spent $110,000, and the $45,000 that the stockholders had put up as an overdraft. That was $110,000, $45,000 and $80,000, $235,000. Some of that was lost. The first dam we built was washed out. It was near completion. It was built in the fall of the year; it never should have been started. That was the fault of the foreman, but that was a mishap. When we got going, of course, they cut out the original steam plant altogether, then we started to make some money.

Q--What did you do with that ? A--Just closed it up and used the station as a high tension sub-station, and had our office there. The boiler, of course, was there, and we had it in case of emergency, so that we could steam it up.

We hadn't all the details complete in the proposition when the municipalities invited the HydroElectric Power Commission to come up and look into their needs for electricity and so forth. No doubt they thought the Pine River Company was charging exorbitant rates, and as Sir Adam Beck said at one of the meetings, and I think

Mr. Pope was there, when I asked him why he had come in there. He said we came in because the municipalities invited us in. Naturally, everything was Hydro, and I did not see anything else to do. We could not compete against the Government. We had a franchise in Orangeville. There wasn't another one like it in Ontario, it was right from the Court. We had a franchise which was the result of a quibble with our friend Mr. Deagle who was here this morning. He and I were in opposition.

Q--You and Deagle were the two competing companies ?

A--At Orangeville.

Q--And what was the nature of your franchise ?

A--Our franchise was to operate and carry on an electrical business in the town of Orangeville, given to us by the Court.

Q--Of course, it wasn't an exclusive franchise?

A--They settled the dispute by giving each one the same franchise, and Mr. Deagle is operating under the one that was given to him.

Well, naturally, knowing that we could not compete against the Government, I advised the directors of our company -- I was still Manager and Secretary of the company -- that we had better make love to the Hydro, that there wasn't any use of fighting them.

Q--Did the Hydro show any disposition to court you ?

A--Well, to some extent, yes, through our friend Mr. James. However, we took the matter up with the Hydro Electric Power Commission. We did everything in our power to help the Hydro to come into those towns expecting, as we were led to believe, that they were going to take our proposition off our hands, because I had told the bondholders that they need not expect the Hydro in there for ten years.
In getting the bondholders to sign this undertaking I told them that we did not expect them in for ten years, and that

if the Hydro remained out of there for ten years I would have their money back, or sufficient back that whatever the Hydro gave us for that would be sufficient to clean us up; we would get our money out of it and get a fair profit besides. We had only been operating probably about a year, that is, on water power, and it was during that period that negotiations started.

Q--Did the Hydro come in at the invitation of some of the municipalities ? A--The municipalities invited them in, I am sure, that is certain, and the first thing that was done, of course, was to take a vote in these different towns as to whether they wanted Hydro or not. This was done and, of course, carried with sweeping majorities. After the vote was carried and our franchise, so far as Shelburne was concerned, was destroyed -- we did not have any franchise there, it had expired in April -- we were at the mercy of the municipality therefore, so far as Shelburne was concerned, but we still hold our 28-year franchise in Orangeville. But we figured, of course, that the Hydro was going to take over our whole proposition.

Q--How did you come to figure that out, what ground did you have for that ? A--We were led to believe from conversations which we had, and so forth, that they were going to buy us out. They sent on their auditors and engineers. I don't know about their engineers. Am I right about that, Mr. James ?

MR. JAMES: Yes, we valued the property.

A--We threw our books open to the auditors, and they valued not only the distribution system, and so forth, but the construction, and valued the dam, our water wheels, everything was taken in the valuation. Of course, there was a discrepancy, if I remember, between their valuation and our cost. I think their valuation was between $195,000

and $200,000.

COMMISSIONER HANEY: Q--They did not take into consideration the loss that was entailed by the going out of the dam?

A--No, that wasn't taken into consideration, nor the interest on the bonds. The loss on the dam, for instance, and the interest that was paid on debentures or bonds, which were not taken in, would probably account for the discrepancy between the two.

We came to find out that it was not the intention of the Hydro-Electric Power Commission to take over all our property. It was then we found out that they intended to take what they really required or wanted, and to leave us with the balance of our property.

COMMISSIONER HANEY: You do not mean to say that your lover was flirting with you, or anything of that kind ?

A--No, but that was an investment of probably $80,000 that we had in this waterpower down the river. They took our transmission lines, they took our business, the business end of our proposition, everything connected with the business end of the proposition, and left us with this developed waterpower back in the bush and nowhere to go, and, as you know, there is no municipality -- I don't know whether it is so yet, but no municipality had the right to grant us a franchise for more than one year. That law may exist yet, but no municipality could grant us a franchise for a transmission line for more than one year at a time, which tied us up completely. We could not take our power any place.

THE CHAIRMAN: Q--Was that passed, so far as it appeared to you, for the purpose of preventing a private company getting a foothold, and so making it more difficult for the Hydro to get in ?

A--Naturally, it did apply to private companies, but the reason for that legislation was the trouble they were having

with the City of Toronto.

MR. POPE: They could come in with a vote of the people at any time.

THE CHAIRMAN: The Council could do that.

MR. POPE: Well, they could come in with a vote of the people.

COMMISSIONER R. A. ROSS: They took over your distribution system and transmission line ? A--They took over our distribution system yes, and transmission line.

Q--And left you the waterpower ? A--And left the water power, yes.

COMMISSIONER HANEY: Q--And your franchise in Orangeville? A--Our franchise in Orangeville of 28 years.

COMMISSIONER R. A. ROSS: What did they pay you for it?

A--I am sorry that we had a fire in Owen Sound in Mr. Kilbourn's block, and some of our papers were burned, but if I am not right, Mr. James is here and he can correct me. I think the whole thing amounted to about $60,000, is that right Mr. James ?

MR. JAMES: Correct, $59,877.

A--In the neighborhood of $60,000 they paid for what they took.

COMMISSIONER R. A. ROSS: What horsepower had you in that establishment ?

A--Well, we had 250 river horsepower, what they call river horsepower, that is, the flow of the river. That is in the one stream, that is the flow of the river. It is developed on the same principle as the Eugenia system is developed. It gives us a reservoir of,- probably we would have had a reservoir of 80 acres but, up to this time, our dam and everything was new and we were not bringing our reservoir up to its full capacity. We were doing it gradually, and in another year or so we would have had a reservoir of over 80 acres. As it was, we had a reservoir of 50 acres.

Our working head was 118 feet; we were operating in 128 feet of fall, and that meant that we had 10 feet of reserve, over 50 acres, and in a year it would have been 80 acres.

Q--What I was trying to get at was this to understand why the Hydro had turned you down. You were left with $175,000 of investment there out of which you got 250 horsepower, which is about $700 a horsepower, which is probably why they didn't want to take your power; that is pretty high ?

A--It may figure out that way, but if you want to figure that way we have a perfect right to figure the same as they are figuring on the present development at Eugenia. For instance, on the Eugenia at the present time you figure that you can carry a peak load of 3000, Mr. James ?

MR. JAMES: About 8000.

A--Well, you carry that because you have got the reservoir. Now, then, we are just in as good a position, because we can go further back, and we can build reserve dams --

COMMISSIONER HANEY: Q--What do those reserve dams cost ?

A--It would simply cost, in this particular case, the price of a swamp , 100 or 200 acres, and the dam would be about 50 feet long and 12 to 15 feet high.

Q--$25,000 or $30,000 ? A--Yes, and it would hold that water up there, It is right up there, good high land. There would be a certain amount of seepage. A lot of the farmer's wells have gone dry --

THE CHAIRMAN: Q--Was this a voluntary agreement you made with them for the sale of this portion of your property to the Hydro ? A--The price ?

Q--Yes, was there an arbitrator ? A--Oh, no, they set the price.

Q--And you accepted it ? A--We had to accept.

Q--Why ? A--They wouldn't arbitrate.

Q--They wouldn't arbitrate ? A--No, it wasn't a case of arbitration at all.

Q--What did they say then ? A--They just simply took it, that was all.

COMMISSIONER R. A. ROSS: What remedy would they have had, they couldn't refuse arbitration, could they ?

THE CHAIRMAN: Oh, yes, they could refuse arbitration.

MR. JEFFERY: There was no dispute, Mr. Chairman.

THE CHAIRMAN: What did they say they would do, or did they say what they would do if you did not accept their price?

A--At the meeting which we held, Mr. Pope was there, and I think Mr. Sam White, who is now dead, was there, and Mr. John M. Kilbourn, Mr. Watson -- Mr. Watson would have been here today only he is in the hospital -- but there are other representatives, of course, that could not come; they told me what they wanted to do, and we pleaded with them not to destroy our property like that. We put it up to them this way, we want to sell this property, and this property is just as good a proposition. I said to them, if you won't buy this plant, for Heaven's sake don't put us out of business, let us operate and we will sell you power at what it cost you. Now, the answer of Mr. Pope was this: We cannot possibly let the municipalities be put to any more expence so far as waterpowers are concerned, or development, until such time as the Eugenia plant is loaded to its capacity.

Well, then, he gave me the same answer when I made the proposition that we will keep our power and, as I said before, we will generate it, and he gave me the same answer to that question. Well, he said, that would be another charge, not as great as the other proposal, but it would be a charge on the municipalities which the Eugenia power was serving or supplying. That was the answer I got to that question. So naturally the next thing was that Sir Adam said they would probably take an option on it.

THE CHAIRMAN: Q--On what you had left ?

A--Yes. Well, what was the option ? Twenty years, I believe it was. I think that matter was left to Mr. Gaby.

Q--Yes, but what I am trying to get at is how it was, when they offered you such an inadequate price, as you claim, that you accepted it ? A--We could not continue to carry on. We were told that if we did not get off the streets of Shelburne, or off the streets in certain towns, they would chop our poles down.

COMMISSIONER HANEY: Q--You hadn't any franchise in Shelburne ?

A--No, our franchise had expired.

THE CHAIRMAN: Q--Had Shelburne made an agreement with the Hydro?

A--Shelburne had made an agreement with the Hydro.

Q--Prior to this purchase ? A--Yes.

Q--Prior to your sale ? A--Oh, yes.

COMMISSIONER R. A. ROSS: Q--You had a franchise in Orangeville? A--Yes.

THE CHAIRMAN: Q--They could have put you out of Orangeville ? A--They could not put us out of Orangeville. We had four municipalities that we intended to serve, Orangeville, Grand Valley, Shelburne and Dundalk. We were already serving Orangeville and Shelburne but we would be in the same position in Grand Valley and Dundalk as we were in Shelburne, so there were three of our municipalities gone and only one left. Well, then, with the Hydro in Orangeville, and with John M. Deagle, or the Cataract Power Company, and the Pine River Power Company in there, there would be nothing for anybody.

Q--So you had to take that or get nothing ? A--Yes, there was no alternative.

COMMISSIONER HANEY: Q--Was your line from the plant to Orangeville included in the sale ? A--Yes, from the power house

right to Orangeville.

Q--Is that used now ? A--They are using the same line.

Q--Where are they using the line ? A--They are using the line to serve from Orangeville to Shelburne, and from Shelburne back to Orangeville. They tap from Eugenia. They tap in at Shelburne. They serve on the same transmission line both ways.

COMMISSIONER R. A. ROSS: Q--Aren't they likely to require your power pretty soon when Eugenia is filled up?

A--Eugenia has been loaded for some time.

THE CHAIRMAN: Q--What have you done with the rest of your plant ? A--We had to sell the transformers and generators. One of the 175 kilowatt machines I sold to a fellow in Halifax. The other I sold to the Georgian Bay Power Company. The high tension transformers the Hydro took those over. Two of them went over to Camp Borden, one other went to Shelburne. They took them some place, and the 75 kilowatt generator that we had in Horning's Mills was sold down around Trenton.

Q--Is that plant dismantled now ? A--That plant is dismantled now, except that the boiler is there, and it isn't in the condition it was formerly in, of course, and the pipe line also, and the water wheels and valves, and so forth, are there just as good as they ever were, but our boiler is not in the same condition as it was. There is another loss which is chargeable to the action of the Hydro Commission, and that is, that when our plant was put out of commission I kept a man there for a year or more, not knowing what to do with it or what would become of it. I kept a care-taker there to watch the plant, especially in the spring of the year when the freshets are on they require a good deal of watching, those water plants, especially where it is clay or earthen dams. On account of it not being in use in the spring of 1918, I would think, or 1919, the water was lower, do you see, the care-taker not using the water, and I not being able to be there

myzelf on the job, why, the water was lowered to such a level, that the back part of the dam split in front, the riprap and part of the dam split lengthwise in front and slid in which, as far as the strength of the dam is concerned, up to that point, is stronger than it ever was, but that would have to be repaired. The reason of that slip was this, that when the water was taken away from the face of the earth dam in the spring of the year, when the frost is in, it is the most dangerous thing you can do. You have got to keep your water up to the high water mark, or as near as possible, in order to keep the weight of the water against the slope of the dam, because the earth is much more slippery at that time, and if you take that pressure away it has a tendency to cause just what I have stated. The pressure had been taken away, because the municipality had written some letters. The dam was out of commission, and they did not see any reason why the water should not be lowered. If we had been operating, of course, we never would have gotten such a letter, and when the water was lowered it caused the dam to split.

COMMISSIONER R. A. ROSS: Q--How about your wood stave pipe ? A--We sold 500 feet of our wood stave pipe, and we have about a thousand feet of wood stave pipe left, which is in good condition. It is a good pipe, well built. I think the Hydro engineers would bear me out in that, I am sure Mr. James will bear me out in that and, in fact, I am sure he will bear me out that that was as good a development, or probably the best development they have come across.

THE CHAIRMAN: Q--Could the Hydro have taken hold of that and supplied the people with power at the cost they are paying now to Hydro ? A--At the cost they are paying now, they could. What the people in Shelburne and Orangeville are paying now is different to what it was when they started in. They have raised the rates considerably. When they first started

in they were selling Shelburne power at $30 a horse-power. Today Shelburne is paying $50.

Q--What did you sell it at in Shelburne? A--They are selling it in bulk to Shelburne.

Q--You were taking the local distribution ?

A--Neither Shelburne or Orangeville are manufacturing towns. There are very few power users in either one. I don't suppose at Shelburne there is more than 50 or 60 h.p. used for power purposes. I am not certain about that, but I would judge that is about right.

Q--Well, could it have taken your plant overand sold the power at reasonable rates and pay its way ?

A--Pay its way, sure. We were doing it, and the rates today in Shelburne are higher than our rates were. To small consumers, for instance, we were charging 10 cents a kilowatt, to everyone, commercial and domestic, with a 10 per cent discount with a minimum of 75 cents a month. Now, then, their minimum is $1.25 a month, with 3 cents per 100 square feet of floor space with a minimum of 36¢- if you have 50 feet of floor space they will charge you for 50 kilowatts, multiplied by 5½, and then beyond that they give you a rate, which is a similar rate, or, I should say, a smaller rate beyond that. In commercial lighting they are charging today 11 cents a kilowatt for lighting, for 70 times the connected load, that is to say, if you have got a 2 kilowatt connected load it will cost 70 times 2 kilowatts, and then beyond that they pay a small amount of 2 cents. Mr. James can bear me out in that.

Q--Did you ever discuss a price with them for the whole plant, or what you had left ? A--Oh, yes.

Q--What did you offer them the whole plant for ?

A--Why, they didn't entertain it at all.

COMMISSIONER R. A. ROSS: Q--They didn't offer you the

$200,000 valuation ?

A--Here is the point: I am just here for a square deal, that is all, and here is what I cannot understand, and one reason that brought me here is the fact that I promised those bondholders when I went through the country that I would get them back their money. If the Hydro Commission had stayed out of that locality I would have done that. What makes the sore spot is with those 67 people, the people or authorities who brought the Hydro into existence also granted us a charter to go ahead and develop that water power, and to generate that electricity and to supply those four municipalities. Now, then, they granted us a charter, and that gave the municipalities the right to grant us a franchise for our transmission lines, and so on.

COMMISSIONER HANEY: You are speaking now of the Government?

A--Yes, in a general way.

Q--That is the local Government ? A--Yes, the local Government. Now, those 67 people - I can give you a list of them right here - mostly from Western Ontario, went into that proposition, generally, as an investment, and they are just as good citizens, British subjects too, as the people they are serving, and what I cannot understand is this why we are not entitled to a square deal, or to some consideration, and why we should be persecuted for the sake of giving the balance or the majority of the people probably what was at that time a lower rate, but what is today not any lower, except in the case of the large user. I think they must admit that we were supplying power to the small user at a rate cheaper than under Hydro. That is what I am here today for.

THE CHAIRMAN: Q--What do you mean by 'square deal', what do you want ? A--I want something, - I don't think

that we should be put put of business. I do not think that our good Canadian money should be back in that bush. It is worth nothing to us now, I cannot go any place with it. There is no manufacturing going on in Shelburne or Orangeville, I cannot take it out there, but if they will come to us, or give us the chance to arbitrate it, let us put our proposition before a Board of Arbitration I am perfectly willing to take whatever that Board of Arbitration says, but I cannot get anything for itas it is. I would not dare to go back to my associate bondholders and ask them for any more money. I would not dare put my own money into it, that is the position I am in.

COMMISSIONER R. A. ROSS: Q--Was it stated to you, Mr. Huxtable, that you would be taken on ? A--Yes.

Q--Why hasn't that been done, do you know ?

A--I don't know.

Q--You have made a very able presentation of your case here ? A--Well, it is the truth, it is just exactly as it stands.

COMMISSIONER HANEY: Q--What was your recovery on the plant you sold, on the plant and pipe, roughly speaking?

A--I will have to take this in detail. For the one generator that went to Nova Scotia I think we got from the Power Company either $1200 or $1300. For the other one, why, we got $800, for the smaller one, and the other material oh, it wouldn't amount to more than about a thousand dollars, the odds and ends.

Q--How much additional power would you get if those several storage dams were built that you speak of at an expense of $30,000 ? A--Say an expense of $30,000, well, we would get, I would say, a maximum load of probably a thousand horsepower.

THE CHAIRMAN: Q--How much would that increase your

load, those additional dams of which Mr. Haney speaks ?

A--Oh, it would increase it, I would think, about 50 to 75 per cent.

MR. JEFFERY: Q--Might I ask, Mr. Huxtable, how many square miles or acres of drainage area you have ?

A--To our dam ?

Q--Yes. A--Well, I think the area of drainage there would be about 48 to 50 or 60 square miles, in that neighborhood.

Q--I think if you look at the map you will find that that plant is located right at the source of that water shed, right at the top ? A--The power plant ?

Q--The development, yes? A--You would not think so if you were there in the spring.

Q--We have areport made by Smith, Carey & Chase, stating that the drainage area is about 48 miles ?

A--The Smith, Carey & Chase report is 48 square miles, that is what Cecil B. Smith told me.

Q--How does that compare ? A--Well, that is what Mr. Smith told me.

THE CHAIRMAN: Q--How many square miles ? A--48. I have employed competent engineers and even the Hydro's own reports will bear me out in any statement that I have made, and I think that I have a letter here --

COMMISSIONER HANEY: Q--What I am interested in is how much power could you actually develop, what would be your commercial power ? A-- Well, now, I will tell you: Youare asking me a question that, from an engineering standpoint, I cannot answer you. I must answer you from my own practical experience. The Hydro Commission say here today that they have got a load of 8000 --

Q--Well, that is at Eugenia? A--That is at Eugenia. Now, then, in the third report of the Commission which, I think,

probably was prepared, while it was during the period that Mr. Cecil B. Smith was with the Commission, I rather think it was Mr. Chase who was later associated with Mr. Smith and Mr. Carey as engineer. Now, in their report they say that at the Eugenia Falls development they have 420 feet of head, they have 30 cubic feet of water per second, and they have 1090 h.p. --

Q--That was before those storage dams were provided ?

A--Yes. Now, then, they say at Horning's Mills, at my own plant that we have 60 feet of fall, we have 10 cubic feet per second, and 54 horsepower. That is 24-hour power they are quoting now, you see, and that at the other development at Horning's Mills, which isn't fully developed, we need not take that into consideration, but the lower one, the one three miles down the river they say we have 125 feet of head, we have 22 cubic feet per second, and we have 250 horsepower or 24-hour power.

COMMISSIONER R. A. ROSS: Their head, of course, is 560 instead of 440 ? A--Yes. Then we have a letter here from Mr. Gibson, and I don't think there is any person in the engineering line who will dispute the word of Mr. N. R. Gibson of Smith, Carey & Chase, who specializes on water wheels. The date of that report is March 4th, 1915. By the way, this is addressed to Mr. Gaby, and a copy was sent to me.

COMMISSIONER R. A. ROSS: Q--That is Gibson's report ?

A--Yes, Gibson's report to Mr. Gaby, and a copy, apparently, sent to me:

> "We are now in a position to reply to your letter of February 4th re information to be obtained from Smith, Carey & Chase's files in connection with the Pine River Light & Power Company's development.

FLOW OF RIVER:

The average of twenty-three weir readings taken in 1908, presumably at the low season of the year and allowing for leakage under the weir, was 15.3 c.f.s. The largest of these readings was 31.5 c.f.s. and the smallest 5.0 c.f.s. Omitting theextremely large and small readings the average was 14.3 c.f.s.

AVAILABLE STORAGE ABOVE DAM:

The area enclosed in the 510 contour, as shown on drawing C-372-T is 59.9 acres and the area enclosed in the 500 contour is 24.3 acres, making a total volume of approximately 421 acre feet. The elevation of 510 was considered to be the normal head water level.

POWER AND LOAD FACTOR:

Based on the information available at that time the estimate made by Smith, Carey & Chase of the amount of power which the Pine River would furnish at the generators was a peak load of 800 h.p. for six hours. On occasions it was estimated that the water supply would fail to meet this demand by as much as 15 per cen t. It was proposed to meet the deficiency by the storage of the Sunday flow. An increase in the output of the power house was contemplated by the diversion of another feeder into the Pine River which, however, had not been investigated by Smith, Carey & Chase. The Horning's Mill power was estimated under the same conditions to deliver a peak load of 140 h.p. for six hours. This power it was expected would be nearly doubled by the purchase of an adjoining mill.

CONSTRUCTION OF DAM AND ENGINEERING ADVICE:

As Smith, Carey & Chase furnished only plans and specifications for the work, and were not employed as engineers to supervise the construction, we are not in

"a position to state whether the dam was constructed in accordance with the designs or whether Smith, Carey & Chase's engineering advice was followed in the construction of the whole development. Mr. Huxtable advises us that the location of the dam was changed and some alteration made in the design of the forebay and spillway.

We desire to draw your attention to the fact that the data given above was obtained about six years ago and we have had no opportunity of reviewing and verifying the conclusions arrived at. It is possible that if we were given an opportunity to study the matter in the light of recent knowledge the conclusions arrived at would be somewhat different."

Our plant, I have always contended, was more of a peak load carrier than anything else, and that was one point that I tried to impress upon the Hydro Commission.

MR. JEFFERY: The total number of horsepower hours that that plant will develop per day is 4800. In other words, 48 h.p. hours or 200 h.p. continuously over the 24 hours, or 800 h.p. per six hours, but for a continuous development of 24 hours the plant will only develop a maximum of 200 h.p.

A--Now, gentlemen, it does not matter to me whether you call it 200 horsepower, or whether you call it 25 horsepower or 50 horsepower. We did carry on the business in the towns of Shelburne, Orangeville and Horning's Mills, and we did give just as good service as they are giving today, and they were satisfied with everything except the price. We did that business. We had a revenue, and we would have had a continuous revenue of $9000 a year, I don't care what it costs, I don't care if it is only 2 horsepower, that is what we did do and that is what we can do again.

THE CHAIRMAN: Mr. Jeffery, those people apparently went

in there in a bona fide way and developed this horsepower, established their plant there. They went through a period of stress and reorganized again, and they were in a fair way to realize, in time, upon their investment a fair return, a very modest return. You went in there and upset all their plans . You assured them beforehand that you would not go in for ten years, before they spent the money, I understand the last part of the money, and put them out of business. I am not saying whether you are justified in doing that or not.

MR. JEFFERY: That is hardly the fair way to put it, Mr. Chairman. Would it not be better and more correct to say that the municipalities invited us in?

THE CHAIRMAN: You went in, you didn't need to go.

MR. JEFFERY: We were compelled to go.

THE CHAIRMAN: You were not compelled to go.

MR. JEFFERY: Absolutely. If they ask for a rate we are compelled to give them that rate, and if they sign up for power at that rate we must give them the power.

THE CHAIRMAN: Couldn't you have said that if you were going in there you were going to take over this work. That would have been sufficient, and it would have given those people their money back.

MR. JEFFERY: I might say that Shelburne, according to Mr. Huxtable's statement, decided that they were going to have Hydro under any conditions.

THE CHAIRMAN: Oh, yes, but you could have bought this plant and it would have become Hydro.

MR. JEFFERY: No, Mr. Chairman, not for 1800 h.p. hours. We could not supply the demands of Orangeville and Shelburne with 200 continuous h.p.

THE CHAIRMAN: Was there anything to have prevented you using it then as a peak load proposition ? A--At that time, yes.

THE CHAIRMAN: Couldn't you have used it as a peak load proposition ?

MR. JEFFERY: If we could have gotten the plant at a figure which would have made it economical to use it as a peak load plant, yes.

THE CHAIRMAN: Did you make any offer for it on that basis ?

MR. JEFFERY: I don't know whether any offer was made or not. I don't think there was any offer, but you have to keep in mind, Mr. Chairman, that while the company had no franchise in Shelburne the people of Shelburne said they were not going to have anything to do with them. They passed the by-law in Orangeville. There were two systems there, the Deagle plant and the Pine River plant. Now, if this plant had not been bought out, or if Mr. Deagle's plant had not been bought out, Hydro could never have gone into Orangeville, it would have been simply foolish.

THE CHAIRMAN: Even when they invited you to go in there you were not bound to go in there on their own terms. You could have fixed the terms upon which you would go in there and operate.

MR. JEFFERY: We were asked by Shelburne to give them power. Now, as far as Shelburne was concerned the company had no franchise there. They had a franchise in Orangeville. In Orangeville, we were quite content, as far as it was concerned, to leave it alone, because there were two companies there that had long-term franchises, we could not touch it. It was the company's option entirely, a voluntary matter on the company's part to sell their plant in Orangeville if they wanted to. They were not compelled to sell. They were merely victims of circumstances in connection with these municipalities.

THE CHAIRMAN: You were a very large contributor to the

circumstances.

MR. JEFFERY: We were merely following instructions under the Act. They had to give Orangeville the power if they asked for it.

COMMISSIONER HANEY: Shelburne, you mean.

MR. JEFFERY: Yes, they had to give Shelburne the power if they asked for it.

COMMISSIONER HANEY: Where did you get this power, Mr. Jeffery ?

MR. JEFFERY: From Eugenia.

THE CHAIRMAN: Were not you bound, merely, in some sense to consider what your action would mean to those people?

MR. JEFFERY: It wasn't our action.

THE CHAIRMAN: It was your action in a way. I don't see that you were bound to go in, under any conditions, to serve Shelburne. Weren't you bound to consider those people as well as considering Shelburne, weren't you bound to consider what was equitable and fair to an existing competitor ? You have ruined those people.

MR. JEFFERY: The Act says we must --

THE CHAIRMAN: You may be justified in doing it, you know, I am not questioning that, but you put them out of business and destroyed their capital.

MR. JEFFERY: It isn't a question, Mr. Chairman, as to whether we were justified. It is a matter where the Power Commission Act says we shall. We had to give Shelburne power, and I might read a letter here to give you what Shelburne's attitude was. This letter is dated August 20th,1915, and is addressed to J.M.Kilbourn, President Pine River Light & Power Company, Owen Sound:

"At the last meeting of the Village Council I was requested to write you and inform you that if the Pine River Light & Power Company do not accept our offer for your plant here (as per valuation of the Hydro Commission) by August 31st, 1915, we will withdraw our offer and proceed to instal our own plant to receive power from Hydro Com."

I merely read that to show that Shelburne had decided that they were coming in with their own plant. We had no option in this matter, we are compelled to give power where we are asked. The Power Commission Act says so, and we had to give Shelburne power.

THE CHAIRMAN: Yes, but you are not bound to do it, surely you have a right to exercise certain discretions in the matter. I would say that if you do go in there you must come to some settlement with those people.

MR. JEFFERY: We can merely recommend it, Mr.Chairman.

THE CHAIRMAN: Do you think they could bring an action in the Court to compel you to come in on any terms ?

MR. JEFFERY: I don't think it is a Court matter. I think it is a matter of the Special Act which specifically says that we must do it.

THE CHAIRMAN: That you must do it. I doubt if you are so much at their mercy as that.

MR. JEFFERY: I might ask Mr. Pope to answer that.

MR. POPE: There is no alternative, we must give it to them at a price.

COMMISSIONER R. A. ROSS: You are in duty bound to see that that price is as low as you can get it from any source.

THE CHAIRMAN: Really, are they bound to do that? Supposing you said "In making our estimate we are going to take into consideration this existing plant, and our purchase of that at a certain figure." They cannot

compel them to give you another estimate. Aren't you allowed some discretion in dealing with these plants, and could not you have said to them, if you had to go in there, we wish to sell it at a certain price --

MR. POPE: We expect to give them a price at the most economical figure we can give it, and at the most economical point we can secure it.

THE CHAIRMAN: Supposing you thought the fair thing would have been to have said, or could not you have said that, in all fairness, you had to settle with Mr. Huxtable's company and take over their plant?

MR. POPE: That was done.

THE CHAIRMAN: And if you don't wish us to go in under this condition we won't go in at all.

MR. POPE: That was done. We could not take this power from those people.

THE CHAIRMAN: Why ?

MR. POPE: Because we couldn't. You had your franchises there, you had your power plant there.

THE CHAIRMAN: Well, it was there for you.

MR. JEFFERY: They didn't have water.

MR. HUXTABLE: We had sufficient water to carry on this business before, and we have it yet, what is the difference ?

MR. POPE: It could not take care of the surrounding district. We could not refuse Shelburne.

COMMISSIONER HANEY: Were you supplying Shelburne with all the power it required at the time this transaction occurred?

MR. POPE: I understood not.

MR. HUXTABLE: Sure we had. Certainly Shelburne never had a plant, Orangeville never had a plant. If you will put the Hydro-Electric Power Commission of Ontario on the same footing as I am on and relieve them of this liability in thirty

years, why, I can go into Shelburne and lick the Hydro on electricity.

COMMISSIONER HANEY. Q--What was the occasion of all this ? A--It was because everybody was hollering Hydro, and because our prices, as they thought, were too high. The prices they started out to charge appeared to be almost insufficient to carry on the expenses of the Eugenia plant, and they raised the prices.

MR. POPE: Yours would have been correspondingly high had you continued ?

A--In our operation we could operate for a couple of thousand dollars.

COMMISSIONER HANEY: Q -That is, the estimates were much lower, and the original prices much lower than they are charging at the present time ?

A--Certainly. We can compete against the Hydro, so far as operation is concerned, there isn't any question about that. I can give you a demonstration of that.

Q--Well, you cannot compete in that district ?

A--I mean as far as operation expenses are concerned. I claim a private corporation can operate those things cheaper, and we had a property that was operated cheaper than any Government or any municipality could operate it, that is a foregone conclusion, I know that from experience.

Q--The initial investment here seems to be very high in your development for the amount of water that you have available? A--Yes, we grant you that but, at the same time, we made a profit. Even with that investment we made a profit, and we would have cleaned up our bonds in the course of fifteen years at a price that was very very little higher to the consumer than what they are being charged today, and all the difference in the operation would be two or three men. We are not operating the Eugenia plant, or Niagara Falls,

or Big Chute, and we can operate for two or three thousand a year. This plant would not increase more than five or ten per cent, and I have letters to show right here where persons have offered to operate, to look after and to operate our plant for $2700 to $3000 a year, and another person offered to do it for $4000 and expected to make a profit, whereas our operating expenses, on account of not being out of the woods, was $7000 a year, and one year it was $9000. That was operation, you know, and construction. There is a lot of expense that creeps into operation that otherwise should have been chargeable to construction, or maintenance, or something else. Hydro are charging today in Shelburne almost as much as what we charge and, in some cases, in the case of the poor fellow, the fellow with small consumption, we are much cheaper than the Hydro is today. Now, then, if we can operate in those days at a profit, and at the same amount, and supply those people -- and they were satisfied -- we can go back and do it again.

Now, gentlemen, why should we have this money tied up back there ? It should be operating and should be supplying electricity in that immediate neighborhood. Why shouldn't they take our plant and call it a Hydro plant ?

THE CHAIRMAN: Q-What do you think the Hydro should do?

A--I think the Hydro should help us out.

Q--And you think that if they took it over under those conditions they could profitably operate it ? A-Certainly, they can use it as a peak load carrier.

THE CHAIRMAN: Q--What do you say to that, Mr. Jeffery?

MR. JEFFERY: Economically the plant could not be operated by us at the present time. There isn't enough water there in sufficient quantity for us to tie up with them and operate it economically on our system ?

A--How much is 200 h.p. worth? That is what you say there

is there. How much per h.p. is that worth, it is developed.

MR. JEFFERY: Well, it depends upon whether you have other power that you would have to replace by this.

THE CHAIRMAN: What do they get at Shelburne today?

MR. HUXTABLE: Fifty dollars.

MR. JEFFERY: Approximately forty some odd dollars a horsepower.

THE CHAIRMAN: Orangeville and Shelburne have a lodd of over 560 some odd horsepower today.

MR. JAMES: The Shelburne cost was $44.25, and with the new revised depreciation rate, as soon as it is approved, it will be about forty dollars, based on last year's cost.

MR. JEFFERY: They will be reduced considerably this year, on account of the increased load.

COMMISSIONER HANEY: Mr. James says the new depreciation, that is something new.

MR. JAMES: Sir Adam mentioned that.

THE CHAIRMAN: Oh, yes, he mentioned that, but it hasn't gone through.

MR. JEFFERY: It will be approved all right, but I don't think it is common sense, and I don't think it would be considered good engineering, or good business, for the Hydro-Electric Power Commission to tie up commercial loads in Shelburne and Orangeville to a plant that has only a maximum output of 200 horsepower.

MR. HUXTABLE: Why cannot you let us synchronize with you and do what we can ?

MR. JEFFERY: I do not think the Commission will ever turn down any power that can be economically used by them.

THE CHAIRMAN: Well, could you make an agreement with them that would justify them putting it in working condition

again.

MR. JEFFERY: I suppose the Commission would be willing to talk the matter over with them and see what can be done there from an economical standpoint, but you would hardly expect the Commission to be held responsible for an imprudent investment.

THE CHAIRMAN: I do not think they should be held responsible for it. It strikes me it is rather a hard case, and that if there is any way of utilizing this plant and helping those people to get back something it should be done.

MR. JEFFERY: It should be done, by all means.

THE CHAIRMAN: In justice to your customers.

MR. JEFFERY: Yes.

COMMISSIONER R. A. ROSS: Are you loaded up at Eugenia?

MR. JEFFERY: Pretty well loaded up now, yes.

COMMISSIONER R. A. ROSS: Then you want more power ?

MR. JEFFERY: We are tied in, you see, with Severn and Wasdell's.

COMMISSIONER HANEY: Q--Are you pretty well loaded up on the whole group?

MR. JEFFERY: Yes, pretty well. We have to go ahead with some other development soon.

MR. HUXTABLE: Why wouldn't you buy that power from us?

MR. JEFFERY: It isn't so much peak power we want. We want continuous power, we are not looking for peak power .

MR. HUXTABLE: I cannot see why you should not tie up wish us already developed.

THE CHAIRMAN: You could accumulate power at Eugenia and use this for a part of the time.

MR. JEFFERY: If you tie in 2000 with 8000 you can see that it is not a very big help. We have all the peak power now that we want. What we want now on this system is

continuous power.

COMMISSIONER HANEY: How much do you need ?

MR. JEFFERY: Well, we need enough to keep up with the growth.

COMMISSIONER HANEY: I know, but how much approximately, 8000 or 10,000 horsepower.

MR. JEFFERY: Well, no. We ought to have, say, 3000 horsepower more.

THE CHAIRMAN: I think Sir Adam told us you would consider taking in Niagara Power then.

MR. JEFFERY: We are also considering developing at the mouth of the Severn. We have got to move very carefully up there. We are working on fairly narrow margins, and we cannot take steps that are going to jeopardize our developments.

THE CHAIRMAN: But if those men develop their power you might make a contract with them to take so much power for a certain time and justify them doing it.

MR. JEFFERY: Yes.

THE CHAIRMAN: You think something might be tried ?

MR. JEFFERY: Yes, possibly it could, and we will be pleased to negotiate with Mr. Huxtable and see what can be done, and if he can sell us power economically, either on peak or off peak, I think the Commission will only be too glad to buy it.

COMMISSIONER HANEY: How much power will you develop at the mouth of the Severn?

MR. JEFFERY Between two and three thousand.

COMMISSIONER HANEY: What head have you there ?

MR. JAMES: Twelve feet.

MR. JEFFERY: It is a very low head.

MR. HUXTABLE: You do not mean to question the reports of Cecil B. Smith and Mr. Gibson that were read here, so many

[illegible]

[illegible]

[illegible]

weir measurements in the driest season of the year.

MR. JEFFERY: Of course, different seasons of the year vary. You get some years that are drier than others.

MR. JAMES: Five second feet wasthe lowest.

MR. HUXTABLE: And 31 was the largest in the same period in the same week.

MR. JEFFERY: I don't think, Mr. Chairman, the Commission will have any objection at all to going into this matter and seeing what can be done on a business basis, but you will understand that at the time part of this plant was taken over we had lots of power at Eugenia, and it did not seem reasonable that we should tie up with another plant. At Eugenia at the present time they are putting in the other pipe line. It is just possible that we might economically be able to make some kind of deal with Mr. Huxtable.

THE CHAIRMAN: See how you can get together and let us know.

MR. JEFFERY: We will be glad to handle it on a business basis. We will get the engineers on it and see what can be done.

MR. HUXTABLE: Gentlemen, I am much obliged to you. I am only sorry I didn't have a great representation from our directors.

THE CHAIRMAN: You have been well represented.

COMMISSIONER HANEY: You handled the case very well.

MR. HUXTABLE: Well, I ought to know it. I certainly grew up with it. I have been Manager, Secretary, and everything else, so I know where the money went.

THE CHAIRMAN: Are you an engineer ? A--No.

COMMISSIONER HANEY: You appear to have one of the essential elements of an engineer, common sense.

W. W. POPE Examined.

THE CHAIRMAN: Mr. Pope, you are charged with unduly influencing lawyers.

MR. POPE: Well, sir, I am pleased to be in front of one who knows how serious a charge that is.

Q--When a lawyer comes to you on behalf of a client it is said you neutralize his activities on behalf of his client by engaging him to act for the Hydro?

A--Money makes the mare go.

COMMISSIONER HANEY: Beward of the Greeks.

A--I don't know just which end of this you wish me to take up first. I understand there was some charge made that I had influenced Mr. Hugh Guthrie improperly.

THE CHAIRMAN: Q--You gave him $200 for doing nothing?

A--Mr. Hugh Guthrie acted for Mr. Deagle in an inquest that was held at Orangeville over the death of an employe of his. He was electrocuted at the Deagle plant, and Mr. Guthrie was at the inquest on behalf of the family, and, I think, for Mr. Deagle as well. Following that inquest, Mr. Guthrie made a claim for the family of the deceased man, I forget his name.

MR. JAMES: Gibson.

A--Gibson had been in the employ of Deagle at intervals, occasionally one or two days a week, and was left at the plant after the accident while Deagle went to Orangeville to get the power shut off at Eugenia, and he was told, as it appeared at the inquest, to take no part or attempt to interfere with the wires. It turned out there that he had his house wired, and he was a little dubious that some fire connection might be ignited with his house, and he was anxious to disconnect the wire, and although protested against by theman who was in charge of the plant he took a candle and went into the upper part of the building, and with a pair of ordinary pincers attempted to cut the wire with nothing on his hand

except a woolen glove, or something of that kind, and was electrocuted and killed.

There was no liability which could have been charged to the Hydro, or anybody else in fact, because the man's act was an unwarrantable one. However, Mr. Guthrie made a strong plea on behalf of the wife and two children, and finally consented to accept a thousand dollars in their behalf. That necessitated a writ being issued and a friendly suit brought.

THE CHAIRMAN: For the infahts .

A--And that money distributed between the widow and the infants. He brought that action. The orders were in the papers here, and the money was paid into court and, for that, the Commission undertook to pay his costs, whatever they might reasonably be, and when he was through they also told him that they would relieve the family, or whoever employed him at the inquest, from any expense on his behalf, and those fees for both were fixed at $200, and he was paid that.

Q--Did you engage him to act for the Hydro at that time ?

A--No, sir, he had nothing to do with the Hydro.

Q--Well, then, the other case was Mr. Hughson ?

A--A complaint about Mr. Hughson at Orangeville. In connection with this matter, things were terribly complicated. There were liens, mortgages, and a number of complications in the title. Judge Widdifield of Owen Sound was the trustee for the lienholders, and the money was to be paid out according to his direction. Mr. Hughson was Clerk for Orangeville, and Solicitor for the town. They were paying for a portion of the plant, and the Hydro was paying for a portion, and they joined hands in looking up the title on behalf of the municipalities, both of Orangeville and Shelburne. They retained him, and he, in hunting up the title, discovered that the old Pine River plant had been sold to Kilbourn

and that, in that proceeding the Bank of Hamilton, who had a prior claim in the way of a judgment, or something of that kind, and a bond against three of the original directors, had never been discharged, and that the Bank of Hamilton was not made a party to the foreclosure proceedings, and he wouldn't accept the title until that was cleared up, and then the only thing to be done was to take proceedings under the Acquired Titles Act in Toronto, and the Commission authorized me to tell them that if they would go on and take those proceedings, and clean the thing up, that they would contribute $75 towards the legal charges.

Q--The statement made was that Mr. Hughson came down here on behalf of Shelburne, and I think on behalf of Orangeville between whom and the Commission somedifferences had arisen.

A--None whatever.

Q--And that when he was down here acting for his clients, and pressing their claims he was retained by the Hydro to act for them, and that his efforts on behalf of his clients were naturally modified by that seductive influence?

A--No, sir. The complaint was that Mr. Hughson was too exacting, and there is a letter in the files here which we will be glad to give you, in which we wrote to Mr.Hughson making the proposition that I have already told you, that we will pay $75. towards the cost of that proceeding, and he wrote back. My recollection now is, I don't know whether that went to Kilbourn or whether it went to Mr. Hughson.

COMMISSIONER R. A. ROSS: Q --Was that previous to Mr. Hughson's visit here that was referred to ?

A--Hughson was down here very frequently, and we had a good number of telephone conversations, and I cannot quite say just how, but I fancy it was in the interval, because the letter is there making that proposition.

THE CHAIRMAN: Q_-Mr. Pope, is this the only occasion

on which he acted for the Hydro ?

A--That is the only occasion. He didn't act for us, and the result of that inquiry was that the Bank was not satisfied, and $25,000 of the purchase money was held until that was cleared off which, I think, was two years after.

Q--And that is the extent of your retainer to Mr.Hughson ?

A--That is all. I am sorry that Mr. Deagle gets these spasms of imagination.

COMMISSIONER R. A. ROSS: I am astonished at the moderation of all the lawyers.

A--He exaggerates. I don't know that he is always responsible for what he says, I don't think he is. It was a matter which did not affect Mr. Deagle in the slightest, that I know of, any more than he has got a bum plant there.

Q--You heard what Mr. Huxtable said this afternoon ?

A--Yes.

Q--That matter might be taken up with him?

A--Mr. Huxtable's situation was always looked upon as a pretty difficult one, and of the two or three other plants that we took -- I think there were two or three -- perhaps his was the most difficult one to handle.

COMMISSIONER HANEY: I think it is a minor difficulty compared with the many the Hydro have overcome.

A--They have run across that sort of thing, going into a locality where a man was supplying the immediate requirements, but he had reached his capacity, practically, and the people were clamoring for more power, wishing to be served in that district, and it is the result of that sort of thing that creates the necessity for the Hydro going in. The municipalities were determined to have more power and, of course, there is no room for both, and the best bargain that can be made is made but, in this case, his plant was not taken, and there was one near Markdale.

Q--And then the Hydro was soliciting business, looking for other fields to conquer, as it were?

A--In those days we were always looking for more power, but the municipalities were behind it and they were bound to have it and, under the Act, if they asked for it we must give it to them, and Eugenia was under way. If it is possible at all to use this plant of Mr. Huxtable's I am sure the Hydro will be glad to do so.

THE CHAIRMAN: I hope you will be able to work out some plan.

We will adjourn till to-morrow morning at 10.30.

(The Commission adjourned at 5 p.m., 20th December, 1922, until 10.30 a.m., Thursday, 21st December, 1922.)

10.30 A.M. SESSION,

21st DECEMBER, 1922.

MR. JEWERY: Just before going on, Mr. Chairman, Mr. Pope wants to make a statement.

MR. POPE: I suppose you saw the head line in The Star last night.

COMMISSIONER J. A. ROSS: What is it about ?

THE CHAIRMAN: I saw it.

MR. POPE. I would like to know if The Star reporter who took that is here, and I would ask this Commission to call upon that Star reporter to rectify that statement, otherwise I shall be compelled to take such step as I may be advised to make him rectify it, Mr. Chairman.

THE CHAIRMAN: I must say, Mr. Pope, I just glanced at it, I didn't read it.

MR. POPE: None of the other papers took any such grounds. It shows my name in big head lines as having bribed someone. If the reporter was here and heard what took place afterwards it seems to me that he could have done as the other papers did. I ask the Commission to call that reporter before them and rectify that statement.

THE CHAIRMAN: What is the part complained of, Mr. Pope ?

MR. POPE: It says there, Mr. Chairman, that I bribed those people.

THE CHAIRMAN: Where is that ?

MR. POPE: The big headline at the top. My name starts with the very first line.

THE CHAIRMAN: Yes, it says that, it says that lawyers were bribed by the Hydro.

MR. POPE: No, but he uses my name.

THE CHAIRMAN: "J. M. Deagle makes grave charge against W. W. Pope". He said that in the letter that he produced

here, and he said that you told him. What he said in that letter was, in effect, a charge of bribery against you. He said that in his interview with you used the word.

MR. POPE: None of the other papers had any such reference as this.

THE CHAIRMAN: That is what Deagle said.

MR. POPE: I am only asking the Commission to deal with it.

THE CHAIRMAN: I do not suppose we have any power to deal with it but it is all right for you to call attention to it, but that is what he said in his letter. Mr. Jeffery will know what Deagle said. Mr. Deagle said that you told him that his charges about those lawyers were, in effect, charges of bribery against yourself. We asked Mr. Deagle to substantiate the statement he made in his letter.

MR. POPE: What letter ?

THE CHAIRMAN: We said, in making charges like that you should substantiate them.

MR. POPE: When a newspaper comes out attacking me as an officer of the Commission I am bound to defend myself.

THE CHAIRMAN: The newspaper just says that is what Deagle says. When we came to sift those charges they seemed to rather fall to pieces. This is what he read :

"You are probably not aware, Mr. Beck --"

MR. POPE: What date is that ?

THE CHAIRMAN: That is February 15th, 1919, addressed to Sir Adam Beck.

MR. POPE: No such letter was ever sent.

THE CHAIRMAN: Mr. Jeffery, you will remember his reading from that ?

MR. JEFFERY: It was put in that way, but Mr. Pope strongly objects to the way it has been put in, and yet there is another side to it --

THE CHAIRMAN: Perhaps I had better finish reading this:

"You are probably not aware Mr. Beck that the Hydro's favourite scheme in settling claims is to pay the lawyers on both sides of the case whether they are asked to do so or not, and in some cases where there has been little or no services performed whatever, a fee running from $50 or so up to hundreds of dollars has been paid to the opposition lawyer. Now this has resulted in getting the Hydro some very amicable settlements of some very knotty questions."

He said he discussed that with you at the Hydro office, and when you come to look at the matter carefully I think there is a good deal of ground for the contention in that case.

MR. POPE: His statement is absolutely untrue. I never discussed it with him.

THE CHAIRMAN: You say it is untrue, and that is what Mr. Jeffery said. Mr. Jeffery said, if you are making charges of this kind against Hydro, grave charges, you should give proofs, and he refused at first to give them, but afterwards, on being pressed and told that he had to answer them, he did give proofs and they narrowed down to the two cases, one time by paying Mr. Guthrie and the other paying Mr. Hughson, and I think that it was shown that there was very little proof by him in either of those cases.

MR. POPE: This paper doesn't say that.

THE CHAIRMAN: Oh, yes, it says he made his charge. It is there in that paragraph. Isn't there another paragraph in the same paper giving an explanation ?

MR. POPE: I don't think so, Mr. Chairman.

THE CHAIRMAN: I rather think so. I rather thought there was another paragraph.

MR. POPE: The Globe this morning says that he

withdrew it.

THE CHAIRMAN: He said, aside from those two, he had no charges whatever to make.

MR. JEFFERY: Yes, but he didn't withdraw the charges.

THE CHAIRMAN: No, he just stated what took place and left us to draw our own conclusion from it , and we then had Mr. Pope come up and tell us his version of the matter. That is how Mr. Pope came up yesterday. We wanted to give him the fullest opportunity to deny it, and I think you said, Mr. Jeffery, that you had nothing more to ask him.

MR. JEFFERY: The facts are that it was denied, and it was explained to you, I believe, to your satisfaction. The newspapers were here and they heard both sides of it. They heard not only the accusation of bribery but they also heard the explanation.

THE CHAIRMAN: My own impression is that after Mr. Pope gave his testimony, or that when he gave his testimony there was hardly anybody here. I don't know whether the reporters were here at all or not.

MR. JEFFERY: There were some of them here before Mr. Pope gave his testimony and made the explanations. What I am trying to get at is this: Your Commission are trying to bring out the facts, this is a public matter in which everyone is interested, the Commission especially, and it is very essential that the public get the proper facts of the case. Your report, no doubt, will contain the proper facts, but the newspapers have this information in advance, and the Star newspaper in putting in only half the facts, that is, the statement made in the accusations of bribery, without any explanation as to how these payments were made, is not only deliberately misleading the public but it is also, I think, putting your Commission in a very unfair position.

THE CHAIRMAN: Oh, I don't think so.

MR. JEFFERY: You have the authority of a Judge. I don't know just what authority you have over the printing of paper reports.

THE CHAIRMAN: I don't think we have control over them, but we have the authority of a Judge to call witnesses before us and question them.

MR. JEFFERY: You could, I suppose, warn the newspapers , if it is in the interests of the public, that they should get the proper information .

THE CHAIRMAN: Yes.

MR. JEFFERY: That is a criminal charge. I don't know that we are so particularly interested in facts and figures, but when it comes to a matter of a crime, an accusation of bribery, I think that is a very serious matter, and one which your Commission should take up.

THE CHAIRMAN: You see that in this report they speak of the cross-examination of Deagle, and so I think that it narrowed down --

MR. JEFFERY: Not in that paper, nothing about the bribery charge.

THE CHAIRMAN: I think you will find that no reporter was here when Mr. Pope gave his explanation.

MR. POPE: I think he was here when I was here.

MR. JEFFERY: Yes.

MR. POPE: The charges made by Mr. Deagle were put in in full, but there is no explanation in that report, as given by me. They did not put it in, with the deliberate intention, apparently, of misleading the public, that these lawyers had been bribed.

THE CHAIRMAN: One man might draw one conclusion from that and one another. There is no doubt he stated that Mr. Pope said his charge was equivalent to a charge of bribery, and that Mr. Pope disputed it altogether, and

Mr. Pope, I understood, was angry with him for making such a statement as he did in this letter which you have on your files.

MR. JEFFERY: It is a very serious charge to make, and we think that any newspaper that would make such a charge should be reprimanded by you.

THE CHAIRMAN: I think that Mr. Pope's standing with the Commission wasn't at all impaired by any statement which was made before us yesterday.

MR. JEFFERY: But the Commission's standing was impaired.

THE CHAIRMAN: Well, Mr. Jeffery, I think we all agree that when anything does take place that both sides should be stated.

MR. JEFFERY: Especially in that kind of matter.

MR. POPE: Why shouldn't the Press do that ?

THE CHAIRMAN: I think they should do it, I think they should always do. Unfortunately the Press doesn't always do it.

MR. JEFFERY: In a case like that they should be made to.

MR. POPE: Exclude the Press if they won't do it.

COMMISSIONER J. A. ROSS: Are you in favour of not having public hearings ?

MR. POPE: No, sir, I am in favour of having a fair public hearing.

COMMISSIONER J. A. ROSS: You cannot exclude the Press if you are going to have a public hearing.

MR. POPE: But if they are only going to publish one part of it.

THE CHAIRMAN: If a wrong report is given out in the Press it usually hurts them more than anyone else. I can quite understand Mr. Pope's feelings.

MR. POPE: Here is a great big head line, in capital letters, using my name.

THE CHAIRMAN: The head line is correct in saying that he said that. It might have gone further, but you were not here at the time and came in later when, I think, all the reporters were away, and perhaps that may account for it. I don't know that it was referred to elsewhere in the paper or not.

MR. JEFFERY: But the point is, Mr. Chairman, the damage is done, the report has gone out of bribery in that paper, not repudiated and no explanation given whatever although that explanation was given almost atthe same time the accusation was made, and I think that you, as Chairman of this Commission, with the authority of a Judge, should reprimand that paper for not giving all of the facts on a charge which really is criminal. I do not know whether I am right or not in that.

THE CHAIRMAN: I think that the paper should publish both sides, and I think that it should state that the accusation was denied. Mr. Pope's evidence may be referred to in the paper today, I don't know.

MR. JEFFERY: I don't think it will.

MR. POPE: Then I would ask the Commission to call Mr. Guthrie and Mr. Hughson.

THE CHAIRMAN: Well, I must say that the charge, so far as Mr. Guthrie is concerned, and also so far as Mr. Hughson is concerned, was not sustained. The charge of bribery was not sustained at all.

MR. POPE: This paper doesn't say that. I do not think any of these gentlemen would like to be placed in the position I am placed in in this article.

MR. JEFFERY: Would it not be in order for you, Mr. Chairman, to ask the newspapers if they would kindly print, in a prominent position in their paper, a statement by yourself that these charges have not been sustained.

THE CHAIRMAN: I do not think we should make any formal finding on that point.

COMMISSIONER HANEY: Mr. Deagle in his evidence persistently referred to his letter. He said his letter contained all he intended to say, if you will remember, and he only quoted in his evidence, on the question of bribery, what Mr. Pope said to him, as the inference that Mr. Pope drew from the clause in his letter as I understood it.

THE CHAIRMAN: Yes, he was most careful to hide behind his letter, but the inference is there just the same.

MR. JEFFERY: He made the charge.

THE CHAIRMAN: Yes, he made the charge, then you took the ground that having made that charge he should give proofs of it, and we upheld you in that, and he was compelled to give particulars fully in both those matters, and perhaps the report is open to criticism in that it does not give the statements that were made by yourself at the time as fully as it gives the charges made by Mr. Deagle.

MR. JEFFERY: It doesn't give the statements of myself at all, none of them. It does not say that the statements were refuted or explained, in any way at all, but merely leaves the impression that there was no ground for refutation and that those facts are true, and that is the point I want to bring out.

THE CHAIRMAN: Then Mr. Pope's evidence was given yesterday, and I think that if The Star is represented here it might have the official reporter read over to its representative what Mr. Pope said at the time. I think it was because of the reporter not being here at the time that Mr. Pope's explanation was not given.

MR. POPE: The other papers had it all right.

COMMISSIONER R. A. ROSS: The reporters here take down the facts as they get them, but when they get to the office

they are blue-poncilled by the City editor..

MR. JEFFERY: There is no complaint against the reporter, I understand it is the paper.

MR. POPE: This is a public inquiry, and its proceedings are pretty full published, and we are all on trial, to a certain extent, in the public's eye, and I do not feel that I have been treated properly in this article. If there is no remedy in your hands I cannot ask you to do anything, but I do say that the paper was unfair, that the other papers did not feel disposed to put it in this way at all.

I purpose taking the matter up with Mr. Guthrie and Mr. Hughson, and I am not going to let it rest here, and I would like this paper to have an opportunity of making an explanation, with their repudiation as well.

THE CHAIRMAN: Every opportunity will be given, Mr. Pope. If it is necessary, we can have the testimony that was given yesterday read over.

MR. POPE: I am the Secretary of the Hydro-Electric Power Commission and I have got to protect the Commission as well as myself.

COMMISSIONER R. A. ROSS: We had the same thing in connection with our Nipigon report. It was absolutely twisted in the Press, under big headlines, which absolutely misrepresented everything that was said, but what can you do with the Press, we all know what the Press is.

MR. POPE: Well, when the Press attacks an individual it is a different matter. You are making those inquiries into those complaints that come before you, and when they do come before you, and an individual is heard, and when an individual is earmarked, I think you should give him every possible opportunity to clear that up.

THE CHAIRMAN: We do, Mr. Pope, and any time we do not let us know, and we will give every opportunity. I think myself it was pretty well cleared up yesterday.

MR. POPE: It is cleared up but the Press does not clear it up, and I say that this newspaper should be made to correct that report.

THE CHAIRMAN: Perhaps as a result of what you have said this morning the Press will clear it up.

MR. POPE: If they cannot report correctly they should not be allowed to report at all.

WILLIAM D. BONTHRON, Examined:

THE CHAIRMAN: Q--Mr. Bonthron, you are, I understand, a member of the firm of Price Waterhouse & Company acting as Accountants for this Commission?

A--Yes, sir.

Q--We have handed to you some inquiries we wish to make as to the matters which you have been investigating ?

A--Yes, sir.

Q--And I think, perhaps, the best way would be just to leave it with you to answer those, and any others that we may see fit to make? A--Shall I read the question ?

Q--No, you do not need to read the question. If you cannot make it clear without stating the question do so, but I should think you could give it in narrative form. If you prefer it, I would ask the questions of you ?

A--The first question here relates to the history of the Ontario Power Company, as to when it was incorporated, under what authority, and so forth.

The Ontario Power Company of Niagara Falls was originally incorporated, with an authorized capital of $250,000, by a Special Act of the Dominion of Canada dated June 23rd,1887, under the name of the Canadian Power Company. The change to the present name of the company was authorized by a further Act dated July 10th, 1899, and by powers conferred by the Act of Incorporation the authorized capital stock was increased at different times to a total par value of $15,000,000.

The Ontario Transmission Company, Limited, was incorporated by Letters Patent on July 14th, 1905, under the laws of the Dominion of Canada with an authorized capital of $1,000,000. The entire amount of capital stock is owned by the Ontario Power Company of Niagara Falls, that is, the capital stock of the Ontario Transmission Company,

Limited.

Q--Has it always been owned by the Ontario Power Company?

A--To the best of my knowledge, yes sir.

Q--And what is the Ontario Transmission Company, what assets had it? A--It owns transmission lines and distributing stations in the Niagara Peninsula for the distribution of power developed by the Ontario Power Company.

Q--Then the capital stock of the Ontario Transmission Company would be part of the assets of the Ontario Power Company? A--Yes, sir.

Q--Now, when was the Ontario Power Company taken over by the Hydro-Electric Power Commission of Ontario ?

A--It was taken over some time between April 12th and August 1st, 1917, as the result of an agreement that was made on April 12th, 1917, with John Joseph Albright.

Q--Of Buffalo? A--Of Buffalo, N.Y., yes sir. The agreement with Mr. Albright provided that the $10,000,000 par value of outstanding stock, or such part of it as he was able to obtain and deliver, was to be turned over to the Hydro for a consideration named, of $8,000,000, or such portion of that sum, or that part, rather, that he was able to obtain and turn over was to be turned over on the basis of 80 per cent of the par value.

Q--And what was he able to control ? A--Well, in the first year, the fiscal year ending October 31st,1917, all but $20,000 of the $10,000,000 had been turned over to the Hydro-Electric Power Commission. Subsequently, in 1918 and 1919, further amounts of the ousatanding $20,000 were turned over, so that by October 31st, 1920, or in September, 1920, the Hydro-Electric Power Commission had acquired the full $10,000,000 outstanding of the Ontario Power Company.

Q--What was paid for the stock ? I should say, what were the terms of the bonds ? A--The Hydro paid 4 per cent

40-year gold debentures of the Commission of the par value of $8,000,000 for the capital stock of the Ontario Power Company.

Q--Have you made any estimate to show what was the cash value of the $8,000,000 bonds ? A--No, sir, I have not. I can easily obtain it for you.

Q--It might be well to do that? A--Yes, sir. These debentures are guaranteed by the Province of Ontario.

Q--But issued by the Hydro-Electric Power Commission itself? A--Yes, sir.

Q--Under what authority? A--The authority to make the purchase was an Order-in-Council approved by the Lieut,-Governor-in-Council on the 26th day of May, 1917, in accordance with Clauses G. and H. of section H of the Power Commission Act. The debentures were guaranteed by the Province under sections 14C and 14D of the Power Commission Act.

COMMISSIONER HANEY: What is the total amount of stock that was issued for this purchase, $8,000,000 ?

A--$8,000,000 debentures. The Hydro commenced operating these properties as of August 1st, 1917.

THE CHAIRMAN: Q--Nearly all the bonds for Hydro undertakings are issued directly by the Province, are they not, and not by the Hydro; they are issued directly by the Province ? A--Yes. Q--That is, the Province issues the bonds and then pays the money over to the Hydro?

A--Yes, sir.

Q--Do you know why that course was not followed in this case ? A--No, sir, I do not.

Q--It is rather unusual for the Hydro to issue its own bonds ? A--Well, it has done in other cases.

Q--To a limited extent ? A--Yes, rather.

Q--I don't want to take you out of your course, Mr.Bonthron?

A--That is all right. The questionhas been asked as to what was the value of the assets acquired. The plant, real estate, etc., and goodwill was valued on the books at $25,155,380.29 less the capital stock of the Ontario Transmission Company, which was included therein, of $1,000,000. The Current, Working and Deferred Assets were $2,291,553.66. The Liabilities, Reserves, etc., consisted of a funded debt of $14,450,000, and Current and Accrued Liabilities of $1,116,100.60.

I might say that while the Ontario Power Company owned the entire one million dollars of outstanding stock of the Ontario Transmission Company this stock was not turned over to the Hydro-Electric Power Commission, for the reason that the entire amount of it has been endorsed over and deposited with the Toronto General Trusts Corporation as collateral security to a Mortgage Deed of Trust dated February 2nd,1903, in favour of that corporation, securing the 5 per cent first mortgage sinking fund gold bonds of the Power Company.

Q--However, the Ontario Power Company receives the full benefit of it ? A--Oh, yes sir.

Q--And they are simply held as security for those bonds?

A--That is all, sir.

Q--I might say, to go back a moment,- what date was it that the Hydro-Electric Power Commission took over this property and began operating it ? A--The agreement for the purchase was dated April 12th, 1917, and the Hydro commenced operating the properties as of August 1st, 1917.

Now, Mr. Bonthron how much has been advanced by the Hydro-Electric Power Commission of Ontario to the Ontario Power Company from the time it took it over up to October 31st, 1921?

A--A total of $6,715,094.93.

Q--Were those the only funds that it had available ?

A--No, sir. There were other funds accumulated there,

Reserves, and the writing off of discount, and exchange, and so forth from operations generally, of $1,396,802.14.

Q--In what form were these funds ? A--Well, it represented cash or its equivalent.

Q--Now, when you speak of what the Hydro-Electric Power Commission paid when it purchased the Ontario Power Company, do you make any distinction between what may be called tangibles and intangibles ? A--Well, in setting up the accounts on the books no distinction is made. The total property account, which includes the intangibles with the tangibles is all carried in one account.

Q--Have you seen the original books of the Ontario Power Company? A--No, sir.

Q--Why ? A--All ofthe books and records of the original company have, according to our information, not been turned over to the Hydro-Electric Power Commission.

Q--Why not, weren't they required to turn them over under the agreement? A--That was the understanding, that they were to be, but we are informed by Mr. Pierdon that repeated requests have been made for those records, but they are not yet received.

Q--Where are they ? A--Presumably in the possession of Mr. Albright.

Q--At Buffalo? A--I presume so.

Q--Do you know of any reason why they are not turned over ?

A--No, sir.

Q--They should have been turned over? A--Yes,sir, I suppose so.

Q-- What was the cost of the Ontario Power Company properties to the Ontario Power Company, can you tell that ?

A--I only know the values at which these properties were carried on the books of the predecessor company.

Q--At what were they carried on the books ?

A--The Property Account was carried on the books of the

Ontario Power Company at $25,235,127.08.

Q--Well, have you any way of ascertaining whether or not that was the actual cost of them to the company? A--No, sir. In Mr. Clarkson's report on the audit of the accounts for the year ending October 31st, 1918, he states "From such information as is available, however, they would appear to consist, approximately, as follows - - " and he has furthermore figures in that report that the investment in plant, real estate, transmission lines and distributing stations represented $14,747,599.49; discount on bonds capitalized, less amounts written off was $971,284.55; attributed to value of rights, franchises, good-will, etc., $10,304,113.07; expended upon construction of third pipe line to the works of the company $1,349,170.63. That made a total in the property account of $27,372,167.74, as of October 31st, 1918.

The only other figures we have as indicating the valuation of the intangible property, or intangibles, are in the estimates that have been made by the engineers of the Hydro in determining the amounts that should be provided annually for renewals. These show that, as of July 31st, 1919, on which date this calculation was made, there was attributed to the intangibles of the Ontario Power Company, $11,734,793.00, and to the intangibles of the Ontario Transmission Company $1,194,831, so that there is an indication that the intangibles were something in excess of $10,000,000 according to either estimate.

Q--Well, then, what was the actual cost, according to those records, of the assets of the Ontario Power Company to the Ontario Power Company, that is, leaving out the intangibles?

A--Well, it would appear that the tangible properties were valued either out of bond issues, or practically so, and that the stock of each of the companies was presumably issued for good-will, etc.

Q--In other words, that would be the profit to the original directors of the Ontario Power Company ? A--It would appear so.

Q--Whatever they made out of their stock would be clear profit to them ? A--It would appaar so, yes sir.

Q--So that when they sold that property to the Hydro, and got back bonds over and above their bond issue, those bonds represented, substantially, their profit on the sale?

A--It has the appearance of it, yes sir.

Q--That was $8,000,000 ? A--$8,000,000 par value 4 per cent debentures.

Q--I didn't quite understand what you say about that Transmission Company's stock, that the intangibles represented a million dollars. I thought that the total stock was about a million dollars ? A--That is true.

Q--Were there bonds on that ? A--Yes, sir, they had bonds of their own.

Q--Bonds of their own ? A--Yes.

Q--How much ? A--They had first mortgage bonds, an authorized issue of $2,000,000, Of those there was outstanding on August 1st,1917, $1,772,000.

Q--Were the works of the Ontario Transmission Company then practically built out of the bond issue, and this million dollars of stock represented their profit on it ?

A--As to that I don't know that I am prepared to say. The total value dealt with in the engineers' report on July 31st, 1919, of the Ontario Transmission lines was $3,242,409, of which $2,047,578. was the value attributed to the tangible properties so that assuming that there were some additions to the properties between August 1st,1917, and July 31st, 1919, that would account for the difference between $1,772,000 of bonds that were outstanding and the investment of $2,047,000, a difference of about $275,000.

then it would, on that basis, be fair to assume that the properties of the Transmission Company were practically entirely within their bond issues.

Q--And the stock would be the profit on the undertaking?

A--Yes, sir. It is understood, however, that that stock of the Transmission Company did not separately cost the Hydro-Electric Power Commission.

Q--Oh, no, they got that. What additions to the plant of the Ontario Power Company have been made by the Hydro-Electric Power Commission? A--Well, the principal addition has been the construction of the third pipe line, and the additions to the works of generating units, and so forth, in connection with that development. That has amounted to $3,515,094.93.

Q--You spoke of the third pipe line. What did that consist of, was it a line for carrying water ? A--For carrying water. It was a conduit or wood stave pipe line.

Q--On the surface of the ground, to some extent ?

A--To quite an extent, yes, sir. Of course, the cost of the pipe line alone did not represent,- I will tell you just in a moment how much it represented of the $3,515,000. The direct cost of the flumes was something in the neighborhood of one and three-quarter millions.

Q--Yes, the cost of the line itself was about a million and three-quarters. Then what was the rest expended on ?

A--Well, on general and head office expenditures. There was $286,499.15 for engineering.

Q--Was that added to capital ? A--Yes, sir, engineering, $108,971.60, and generating stations $716,799.16.

Q--That work on the generating stations, was that done to put in the generators that got their power through this third pipe line ? A--That was the purpose, yes sir.

Q--So that was practically part of the same undertaking ?

A--Yes, sir, all this.

Q--What power was generated through the third pipe line being put in, what additional power ?

A--I believe it was two units of 18,000 h.p. each, or 36,000 h.p.

Q--From where were these funds obtained,Mr. Bonthron ?

A--From the Hydro-Electric Power Commission.

Q--Did the Hydro-Electric Power Commission issue its bonds to get those funds, or did they receive them from the Provincial Government in the usual way ?

A--They didn't get any bonds, or issue any bonds, in connection with the third pipe line development. The Hydro-Electric Power Commission borrowed, under authority of an Order-in-Council, dated February 6th,1918, $1,250,000 from the Bank of Montreal, and deposited, as collateral to that loan first mortgage bonds of the Ontario Power Company of $1,400,000 par value. In addition, the Province guaranteed the payment of the loan.

That accounts for $1, 250,000 of the $3,515,000. The balance came from the general cash funds of the Hydro, not specifically advanced.

Q--There was not a specific vote of money by the Legislature for the purpose of the third pipe line then ?

A--As to that I am not prepared to say, as to the basis on which the cash funds were obtained.

Q--Well, had the money that was used for the third pipe line been voted for general purposes, or for any specific purpose and transferred to the third pipe line, do you know anything as to that? A--Well, it is very difficult to earmark cash when it is all put in one general bank account. Of course, in the Central Ontario System there were funds of the Central Ontario System that were used for general

Hydro purposes for a time but subsequently returned to the Province.

Q--Well, were those funds voted at the time the money was spent for this third pipe line ?

A--Practically currently, yes sir.

Q--So it might have been --

A--It might have been, to some extent, the funds of the Central Ontario System that were used.

Q--For the third pipe line ? A--Yes, sir.

Q--And the generators ? A--Yes, sir.

Q--Now, Mr. Bonthron, in the Accounts Receivable that were taken over by the Hydro with the assets of the Ontario Power Company, were there any that were disputed ?

A--None that I know of, except that satisfactory settlements were subsequently effected. There were in the accounts, to October 31st,1921, a couple of disputed accounts.

Q--Well, those are accounts which have been created since the Hydro took over the Ontario Power Company?

A--Yes, sir.

Q--What are those accounts ? A--One disputed item is with the Department of Railways and Canals.

Q--At Ottawa ? A--Yes, sir, an amount of $19,489.48.

Q--Well, is that a claim of the Hydro ?

A--Yes, sir, it is a claim of the Hydro against the Department in respect to rates charged for power.

Q--Supplied to the Department ? A--Supplied to the Department of Railways and Canals. Apparently a contract has not, as yet, been executed by the Department.

Q--And that is in dispute. Has it been referred, for arbitration, to the Court ? A--Not so far as I know, no sir.

Q--What are the other claims or claim ? A--There is a disputed account in the case of the Niagara Lockport & Ontario

Power Company. There was a balance of $70,852.87 outstanding as a charge against the Niagara Lockport & Ontario Power Company, representing a premium charged by the Ontario Power Company on funds remitted in payment of power bills. Those remittances covered the period from January 31st,1918, to October 31st, 1919, and they were made in Canadian funds contrary to agreement. The agreement with the Niagara Lockport & Ontario Power Company provided for payment in United States gold coin, to quote the wording of the agreement.

Q--Do you know what the ground of the objection is to paying those funds ? A--No, sir. The power bills, subsequent to October 31st, 1919, have, I understand, been paid in American funds. This is a dispute arising out of the power bills prior to that date.

THE CHAIRMAN: Do you know, Mr. Clarkson, what the ground of the dispute was ?

MR. POPE: The dispute is that they paid on account up to that time.

THE CHAIRMAN: Why didn't they pay the whole, Mr.Pope ?

MR. POPE: Because they didn't. They didn't have the money.

THE CHAIRMAN: There is no substantial ground for them refusing to pay the amount of your claim, is there, Mr. Pope?

MR. POPE: They paid on account up to that time, and then they were billed for the difference in the exchange, and they claimed that because they had paid the account in Canadian funds that we were estopped from claiming --

THE CHAIRMAN: That you had accepted that in Canadian funds in settlement.

MR. POPE: We had only accepted on account.

THE CHAIRMAN: Is it likely to be tried ?

MR. POPE: What is that, Mr. Chairman ?

THE CHAIRMAN: Is it likely to be tried, is it likely to be sent on for trial ?

MR. POPE: We started suit here in Canada, and the Court held that they have no funds in Ontario, therefore, the action would not be brought here, and we have now got to go to Buffalo, N.Y.

THE CHAIRMAN: For trial ?

MR. POPE: Yes, sir.

THE CHAIRMAN: And that is what you propose to do ?

MR. POPE: Yes, sir.

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Q. Go on Mr.Bronthron? A. Well, there is a claim against John J.Albright, the vendor of the property, arising out of the sale which represents charges for interest, expenses, taxes and rentals accrued up to the date when the Hydro took over the operation of the property, which were not taken up as liabilities on the books at that time, amounting to approximately $116,800, and there were accrued sinking fund deposits in connection with the bond issue that had not been provided amounting to approximately $112,000.

THE CHAIRMAN: Are these claims in process of settlement?

MR.POPE: They went to the Supreme Court, and we went up and they asked leave to go to the Privy Council and were refused.

Q. Why is not the other matter pressed - it seems a long time?

MR.POPE: True, but it has been under negotiation.

MR.BRONTHRON: Of course the Power Commission is quite protected. They had a total claim of some $288,000, and they have a judgment for some $111,000 plus allowance for interest in excess of $15,000, and they have withheld from Albright of these 4% debentures of the par value of $300,000.

MR.POPE: We have $300,000 and we have a reserve against this sinking fund and a large amount of that is for the Niagara Falls Park rental prior to the purchase; that has never been settled between the Niagara Falls Park and the Ontario Power Company proper.

THE CHAIRMAN: So that you cannot tell until that is settled?

[illegible] unanimous. As well, there is a [illegible] against [illegible], the tender of the property, amounting to [illegible] which represents charges for interest, overpaid taxes [illegible] materials advanced up to the date when the Party [illegible] a consideration of the property, which was not taken [illegible] liabilities on the books at that time, amounting to [illegible] $116,660, one there were accounts banking and deposits [illegible] in connection with the book items that had not been [illegible] amounting to approximately $116,000.

THE CHAIRMAN: Are there minutes in process of [illegible]

[illegible]: They went [illegible] and, [illegible] went up and they asked leave to go to the Party [illegible] and [illegible] it.

[illegible]: Why [illegible] the other matter pressed - it seems a long [illegible]

MR.DOUGLAS: Yes, but it has been under negotiation [illegible]

MR.SMITHER: Of course the Bowes [illegible] is a [illegible] operation. They had a total claim of some $[illegible], [illegible] They have a judgment for some $[illegible] plus allowance [illegible] interest to assess of $15,000, and they have [illegible]

MR.DOUGLAS: We have $300,000 and we have a receivers [illegible] under the existing fund and a large amount of [illegible] [illegible] Park Dental prior to the purchase; that has [illegible] been settled between the Bowes Realty Trust and the [illegible] Dental [illegible].

[illegible]

MR.POPE: I think now the Ontario Power Company matter has been closed,we will be able to settle with them if we interlace a little bit. We intend to have a meeting with Mr.Albright's solicitor and close that up.

Q. In the meantime you think you are quite adequately secured?

MR.POPE: Yes,we have the bonds and the coupons.

Q. What bonds,if any,have been paid off by the Commission since it acquired the property?

MR.BONTHRON: There were all the first mortgage 5% bonds, $616,000.

Q. A certain amount of these bonds are payable each year?

A. No,Sir,these bonds have been paid off through the operation of the sinking fund. As the moneys have become available through the sinking fund,the bonds have been purchased and retired.

Q. Purchased? A. Yes; of the second mortgage 6% debentures, there have been paid off $2,844,000. Of those,$91,000 were paid off through sinking fund provisions and $2,753,000 were paid at maturity in 1921; they were due largely in 1921,and they were paid off.

Q. Were those payable in American funds? A. Yes,Sir.

Q. What,if any,exchange had to be paid by the Commission in paying them off? A. $358,157.70. There was a bond discount,of course,on the sale of these bonds; they were sold to raise funds to pay the $2,753,000.

Q. Then new bonds were issued to raise a new fund to pay off these bonds? A. Yes.

Q. Were they issued here in Canada? A. Yes,Sir.

Q. What was the discount on these? A. $3,200,000 sold

and the discount was $156,489.

Q. In order to pay off these bonds, other bonds were raised on which there was a discount of that amount, and then American exchange had to be paid in addition? A. Yes.

Q. The two amounting to how much? A. Exclusive of some small item of $3,700 of expenses, the total cost of exchange, discount and expenses was $518,375.44

Q. I thought the Ontario Power Company sold a good deal of power in the United States, and that was to be paid for in American funds; would not the money that was lying to their credit over there be sufficient to meet the payments on the bonds, or largely so? A. There is some $70,000 in dispute between the Niagara Lock Port Company and the Ontario Power Company. Aside from that, the Niagara Lock Port and the Ontario Power Company has paid in as premiums on Canadian funds $119,600 approximately, but the total amount of American exchange that has been paid is $582,000.

TO COMMISSIONER HANEY:

Q. To what account was that charged - capital?

A. The exchange on current bond interest payments that were made each half year was charged into operating cost concurrently with the interest. That amounted to $224,709.13. The American exchange on payment at maturity of the $2,753,000 of bonds in 1921 amounted to $358,157.70, and that was temporarily capitalized, that is, it has been set up as a deferred debit to be charged against future operations of the power company.

Q. Is that a proper way to deal with it? A. I think it is a fair way, yes, seeing that the company did not have a surplus against which it could charge. It would be unfair to take

to take care of it all in one year.

Q. The premium which was received by the company on the American payments made was credited to what? A. Was credited up to power sales.

Q. Operating? A. Yes, credited into operation just as it was received, but of course the premium paid on funds to take care of bond interest was charged into operation on the other side amounting to more than the total premiums received from the Niagara Lock Port, aside from this one item of $318,000.

Q. Was it proper to credit that to operating revenue?

A. Well, I do not think I made myself quite clear. The company has taken credit in power revenue for $119,000 of revenue received on account of the American exchange of power sold to the Niagara Lock Port, and on the other hand it has charged against these operations $224,000 of American exchange on bond interest payments, so that the operations up to date stand charged with more than they have been credited in the way of American exchange, and this item of $358,000 is additional.

TO COMMISSIONER HANEY: And charged to capital?

A. Set up as a deferred charge.

TO THE CHAIRMAN:

Q. Has any part of it been since paid? A. That occurred only in 1921 during July, and there was written off before October $2,765 of that.

Q. You have already gone into the bonds; let us hear what you have to say about the bonds that were assumed?

A. The bonds that were outstanding on August 1st, 1917, at the time the property was taken over by the Commission

consisted of first mortgage 5% sinking fund gold bonds of the Ontario Power Company, due February 1st, 1943, outstanding $9,834,000. 6% gold coupon debentures of the Power Company, due July 1st, 1921, of which there were outstanding $2,844,000, and the first mortgage 5% gold bonds of the Transmission Company due May 1st, 1945, of which there were outstanding $1,772,000. I previously mentioned that certain of these bonds have been paid off since August 1st, 1917, so that October 31st, 1921, there was a total outstanding of $10,858,000.

Q. Of the original bonds? A. Yes, Sir, that represents $9,218,000 of the first mortgage bonds of the Power Company; $1,630,000 of the first mortgage bonds of the Transmission Company and $10,000 of the second mortgage debentures that were due in 1921; that is part of that $2,753,000. These are bonds for which the cash is on deposit in the bank for the redemption of them, but the bonds have not yet been presented for payment, and of course they are in effect paid.

Q. And the money to pay these bonds has come from a new issue of bonds? A. Yes, $3,200,000,- Such bonds as were not taken care of through the sinking fund.

Q. What was the total amount outstanding on October 31st, 1921? A. The total amount of the company's issue was $10,858,000. Of course in addition to that there was the issue of the Hydro Electric Power Commission to the amount of $3,200,000.

Q. What further have you to say about the bonds?

A. I do not think there is anything further.

Q. What about the reserves? A. The company has a reserve

for renewals to the amount of $1,498,607.36 as of October 31st,1921.

Q. When was that created? A. There was a balance in this reserve as of the date the properties were acquired after adjustment of $880,833.35; that is of August 1st,1917. Subsequently there has been ~~xxxxxxx~~ credited to the reserve $771,313,13.

Q. On what is that based? A. It is based on the weighted average percentage rates applied to the property as determined by the engineers from the classification of properties made in 1919; the rate applying to the property including lands of the Ontario Power Company is 1.85% - that is the weight of average percentage. On the third pipe line hydraulic equipment in connection with it,the rate is 2.85%; on the properties of the Ontario Transmission Company including right of way it is 3%. The provision amounted to approximately $385,000 per annum for each of the years ending October 31st,1920 and 1921.

Q. Do you consider that an adequate reserve for that third pipe line? A. I do not know; that is rather an engineering question. It depends solely on whether the line is to be used.

Q. If it were used? A. If it is not to be used.

Q. It is a wooden pipe? A. If it is not to be used and the capital cost of the property is being provided for through a sinking fund in addition,then no renewal reserve is necessary whatever.

Q. Is that taken from the report of the engineers? A. Yes.

Q. Is that report on file? A. Yes,it is made part of our report,Exhibits 5 and 6.

Q. Anything further on the reserve? A. There was a question there as to whether provision had been made annually for these renewals. The properties have been operated by the Commission for a period of 15 months to October 31st, 1918, and then for three years, ending respectively October 31st, 1919, 1920 and 1921.

Q. Were the reserves for renewals during the whole of this period? A. No, Sir, only during the two latter years - no provision made in the 15 months ending October 31st, 1918, and the year ending October 31st, 1919.

Q. How was it reserves were created eventually? A. It was always recognized that reserves should have been provided and I think the question as to why they were not applied in the early years - the only explanation furnished was that a dispute was on with the Toronto Power Company. They had an argument with the Toronto Power Company and no provision was made because of that.

Q. Was that sufficient ground? A. I would not think so myself.

Q. What about the sinking fund? A. There are sinking funds being provided in connection with the various issues - the first mortgage 5% bonds of the Power Company due in 1943, there is an annual payment being made into the sinking fund of $1.00 for each electric horsepower sold.

Q. Would that create funds sufficient to pay off these bonds at maturity? A. No, Sir, very probably will not take care of any more than a third, if that much, of these bonds by maturity.

Q. Would it have been proper to have set aside a sufficient fund to take care of them at maturity? A. I do not think so.

Q. You think that the present provisionm is quite adequate and proper? A. It is a question of agreement. My recollection is that the trust deed under which the bonds were issued provided for this payment into the sinking fund, and I see no particular risk.

Q. The provisions of the trust deed are being fully complied with? A. Yes.

Q. Aside from that do you think it is good business to not provide more than sufficient to pay a third of the bonds when they mature? A. I think that is a reasonable provisions The idea of wiping out the total capital cost in any period of thirty or forty years, such as is being done here is out of the ordinary entirely. Public utility companies generally calculate that they will not retire any part of their indebtedness at a time, but keep on increasing it and taking care of each issue at maturity by refinancing. This seems perfectly reasonable. Here is a company now forming part of the Hydro system generally, and that is on a somewhat different basis as to sinking fund provision from the provisions laid down in the Power Commission Act.

Q. If the provisions laid down in the Power Commission Act were carried out in respect to the properties of the Ontario Power Company, would what has been done in respect to it be sufficient compliance with the act?

A. No, it would not be. It does not conform; that is the point I was going to make.

Q. If it did conform with that, would sufficient funds be available at maturity to pay off these bonds or nearly so?

A. Practically - there is a period of nearly 30 years, -

as a matter of fact 26 years from the time these properties were taken over.

Q. Would it be better to apply to the Ontario Power Company as part of the Hydro system, the provisions for repayment of bonds which apply to Hydro undertakings generally? A. That is a legal question entirely. There are further sinking fund provisions in the case of first mortgage 5% bonds due in 1945 These are the Transmission Company's bonds. There is a flat payment of $30,000 per annum being provided. That won't take care of any more than about 40% or 45% of the principal of the transmission bonds at their maturity, in 1945. The cash advance owing to the Hydro Commission in connection with the construction of the third pipe line amounted to $3,515,000, and is being provided for through sinking fund on the thirty year basis 4%.

Q. Do these advances still stand in the form of a loan from the company? A. On the books of the Ontario Power Company they stand as a liability to the Hydro Electric Power Commission. Of course on the books of the Hydro Electric Power Commission, they stand as a liability to the bank. That is of the original loan of $1,250,000 there has been paid $50,000, and the balance $1,200,000 is a liability on the Hydro books. Regarding the 8,000,000 of debentures issued by the Commission for the purchase of these properties and the $3,200,000 subsequently issued to retire the bonds previously outstanding with the power company, a sinking fund is being provided to take care of these at their respective maturities.

Q. What further comment, if any, have you to make on the

sinking fund? A. Nothing further to be said except that these bonds maturing in respect of which the sinking funds are being provided, will require to be refinanced by further issues at these dates to the extent that the sinking funds are insufficient.

Q. What other provisions are there in the trust deed which places any obligations upon the company except the provision which you just spoke of, of so much per horsepower? A. None that I have any knowledge of.

Q. No obligation to ~~xxxx~~ operate the property or anything of that kind?

MR.POPE: Yes, there is a provision to operate.

THE CHAIRMAN: And in the event of failure to comply with the provision, what is the remedy.

MR.POPE: Default absolutely.

THE CHAIRMAN: So that if at any time you did cease to operate that property, provision would at once have to be made for the payment of the bonds?

MR.POPE: Or some arrangement with the bondholders.

Q. If they insisted on it, they might require payment?

A. Yes, Sir.

Q. What about reserves for contingencies?

MR.BONTHRON: There has been provided an amount of slightly more than $418,000.

Q. When was that accumulated? Was it partly in existence when the company was taken over? A. No, that has been provided entirely since August 1st, 1917.

Q. On what basis is it arrived at? A. It is not a general reserve; it has been created to take care of particular

items, approximately $117,000 represents a provision in the nature of a reserve for probable losses in collection of claims and accounts receivable. $275,000 is a contingent liability to the Queen Victoria Niagara Falls Park, being an estimate of the maximum amount that might be payable if the contention of the Commissioners of the Park is upheld as to the basis for charging for power; and $26,244.75 represents an actual liability, being a balance owing to the Toronto Power Company under a judgment that was given against the Ontario Power Company. Of the balance of that fund left to be applicable in case of accident, it would seem as though at least $117,000, the amount reserved against the Ontario Electric Power Company and the Albright claims, at least that much of it, would be applicable for any general purpose.

Q. Is that contingent fund a fund out of which money would naturally be taken to meet the cost of a loss caused by an accident? A. Yes, Sir, that is ~~the~~ where it would be expected to go. There is practically $117,000 available for that purpose. There is at least that much, and if the contention of the Ontario Power or Hydro Commission regarding the basis on which water rentals are to be paid of the Queen Victoria Park is upheld, there would be $86,000 more.

Q. You have not told us about that dispute with the Park Commission about water; do you know anything of it?

A. Yes.

Q. Were you proposing to deal with it later on? A. I can deal with it all right here. An agreement was made on April 11th, 1900, with the Commissioners of the Queen Victoria Niagara Falls Park whereby the Ontario Power Company

contracted to pay an annual rental based on the electric horsepower generated, and payments were made based on the average rate at the time from kilowatt hours. The Commissioners of the Park further contend that the horsepower generated should be based on the monetary progressive peak basis.

Q. What does that mean? A. The actual energy used. They want to be paid on what practically amounts to the value of the water for actual developing power. You see there is a difference there.

Q. Does the amount affected by this extend back to 1900 or 1901? A. It extends back to the period at which these properties were taken over by the Hydro. While there has been set up in the account of the Ontario Power Company to October 31st, 1920, a total or maximum amount that they might be called on to pay of $275,000, there is $188,000 of it chargeable or would be collectable from Albright.

Q. When is it going to be settled, Mr. Pope? Is it in process of adjustment?

MR. POPE: No, Sir; it is contingent upon the arrangement made between the Toronto Power Company and these other companies which is pretty well taken care of in the clean up; that will probably establish a basis upon which it could be settled.

Q. The Power Commission still contend they are entitled on the basis mentioned just now by Mr. Bonthron.

MR. POPE: There is a difference as to just on what that should be paid. All the companies must pay on the same measurement.

TO COMMISSIONER R.A.ROSS:

Q. They won out in the Privy Council? A. The Canadian Niagara Power Company won out, and they all paid afterwards on that basis.

Q. The Park Commissioners got judgment against the Niagara Power Company.

THE CHAIRMAN: Would not that settle the matter?

MR.POPE: You would think so, but the other companies think not. They have made a settlement with the directors on the clean up.

Q. The suggestion is that this will be settled on the same basis.

MR.POPE: I imagine so, but I do not know what that is yet.

TO COMMISSIONER HANEY:

Q. Did you go into the agreement between the Park Commission and the Hydro in connection with the building of the third pipe line? A. No, Sir, I do not think we have examined into that. No, Sir, we did not.

TO THE CHAIRMAN:

Q. Is there a special agreement between the Ontario Power Company and the Park Commission regarding that third pipe line?

MR.POPE: Yes, Sir.

Q. What is the nature of the agreement?

MR.POPE: They were allowed to build it there to be moved within a certain term.

Q. Is that term expired?

MR.POPE: For the moment I could not tell you.

MR.BONTHRON: I have something about that. Mr.Clarkson reminds me that the agreement calls for its removal in 1923,but I understand there has been some arrangement made by which that time is extended. The understanding is it shall remain for the time being.

Q. You are not using it?

MR.POPE: Oh,yes,partially using it.

MR.BONTHRON: All we have with reference to the agreement regarding the construction of the pipe line is that the Company agreed with the Commissioners of the Queen Victoria and Niagara Falls Park to remove the pipe line by the spring of 1923,but it is now stated the Commissioners have given approval to the maintenance of the pipe line for the time required by the company - rather indefinite.

Q. You have not seen anything? A. No.

THE CHAIRMAN: I suppose Mr.Pope,it is a sort of verbal understanding?

MR.POPE: There is no formal agreement.

MR.BONTHRON: That was my understanding.

COMMISSIONER HANEY: Mr.Jeffrey would know is the third pipe line connected with the other two pipe lines so that you can use the water from the third pipe line to generate the units originally installed?

MR.JEFFREY: Yes.

THE CHAIRMAN: Where is that connection?

A. It would be at the power house which was not installed so that it could only be used to supply the two generators. When they installed the two new ones it could be used in connection with the others.

Q. Is it being used now? A. Yes,Sir.

Q. To what extent? A. It is more efficient to take the water down through three than two. You get less loss.

Q. You couple them up? A. Yes.

Q. Anything further as to the contingent,Mr.Bonthron?

A. No,I think not.

Q. What about these disputed with the court? A. That is the item.

MR.POPE: It has been refundedd; that was all cleaned up in the deal. The money has been drawn out of court.

MR.BONTHRON: It was the amount of $166,262 cash that was tied up. It has since been received by the company.

Q. What can you tell us as to the profit and loss account of the Ontario Power Company from the time it was taken over by the Hydro down to the end of October,1921?

MR.POPE: That money paid into court was a dispute as to the price of power. The Commission paid into court what they claim was due,and the final settlement was that they accepted the money paid,and we got the money paid into court,and that is now applicable to any purpose for which we like to use it.

Q. Has it been definitely allotted to any purpose?

MR.CLARKSON: As applicable to a further reserve or profit and loss account,it is taken up in 1921.

MR.GUILFOYLE: The surplus credit by the Commission was taken up in the account in 1921. It was determined fairly definitely.

MR.BONTHRON: The account shows that for the first 15 months ending October 31st, 1918, there was a profit of $140,286; the year ending October 31st,1919, profit of $211,884; year ending October 31st,1920, loss $42,321; year ending October 31st,1921,loss $255,753. These of course are before making some adjustments of interest as between the years,and the first two periods are without taking into account any renewal provisions.

Q. If renewal provision had been taken into account, the profit would have been reduced? A. There would not have been any profit.

Q. Would there have been a deficit in each of these years? A. Yes, a deficit in the first year if the renewal provision had been made on the same relative basis throughout,there would have been a loss in that year of $346,714 for the 15 months;;year ending October 1919, $248,216; year ending October,1920,$42,321; and 1921,$176,253.

Q. Making the total up to August 31st,1921 of what amount? A. It would merely have resulted in reducing the surplus at that date by $868,000 if this additional provision had been made for renewals in the earlier period.

Q. Are there any other adjustments? A. No,there is nothing beyond the item of interest and the question of the non-provision for renewals in the first two periods.

Q. What do you mean about the matter of interest? A. One item of interest in the last period $79,500 that required to be pro-rated - interest credited during the first period pro-rated back from other years. It is only an adjustment during the years. It does not affect the results.

Q. What taxes, if any, are payable on the property?

A. On May 4th, 1922, the City of Niagara Falls enacted a bylaw fixing the assessment and the maximum rate of the taxation of the properties of the Ontario Power Company and the Ontario Transmission Company for a period of ten years. They fixed the assessment at $2,500,000. The Mayor and Clerk of that city were authorized to enter into, execute and deliver an agreement to fix the assessment of the properties of the companies at Niagara Falls at $2,500,000 for all purposes and to fix the maximum rate of taxation thereon at thirty mills on the dollar, in any year of and for the period of ten years from January 1st 1922.

Q. Where did they get that power? A. The council has the power.

MR. POPE: It is ratified by Act of Parliament.

Q. Is there nothing in that special Act that would prevent them raising that assessment?

MR. POPE: Yes, it is fixed and not to exceed 30 mills, and the amount is fixed too.

Q. Are other companies on the same footing - is the assessment fixed in connection with this company?

MR. POPE: They are all on a fixed basis. Some of them expire in a couple of years. They were all at one time on a fixed assessment.

Q. The others are not dealt with in this special Act?

A. No, just the Ontario Power Company; the others are largely in the Township of Stamford.

COMMISSIONER HANEY: When was this Act passed?

MR. POPE: Last year.

Q. What was the fixed assessment previous to that?

A. I do not remember what it was.

Q. Was it more or less? A. It was less than that, but they had an arrangement by which the municipalities got power at a certain price. That expired, I think, about 1916.

Q. Was the municipality proposing to increase the assessment?

MR. POPE: They could have done so.

Q. And the Act limits their powers in that respect?

A. It is simply fixing it for ten years at these figures.

Q. A pretty low assessment? A. No, very liberal assessment.

Q. On a $25,000,000 property? A. Yes, but if they put them up at their full value, they would not require to assess anybody else, and they would not know what to do with all the money they had.

THE CHAIRMAN: That would be a most delightful place to live in. The tax rate is a very high rate there now and the assessment is very high.

MR. POPE: I do not think it is any higher than the rest of the municipalities. That does not include school taxes or local improvements.

Q. That is paid in addition? A. Yes.

Q. School taxes and local improvements can be levied only on the valuation of two and a half million dollars?

A. No, that does not affect the school taxes at all.

Q. What is the assessment for the purpose of school taxes?

A. I could not tell you.

Q. Would it be a larger amount? A. Yes, a larger amount, but I know they draw a very large amount for school

taxes sufficient to build new schools and all kinds of things. I can get the assessment for you.

THE CHAIRMAN: Is the Ontario Power Company charged with any of the costs of the general administration of Hydro?

MR.BONTHRON: Yes,Sir; there is an apportionment made of the general and administration expenses of the Hydro and the Ontario Power,just the same as all the Central Ontario System and of each of the other systems under Hydro is charged. There are two amounts charged in the administration expenses:the portion of that charged against the Ontario Power for the 15 months ending October 31st, 1918,$25,243.04; for 1919, $21,059.47; 1920,$20,269.85; 1921,$25,046.84.

In addion there was executive and office pay roll of $19,009.89 for the first 15 months. $11,626.64 for the year ending 1919; $14,866.67 for 1920; $16,079.96 for 1921. That is executive,not office pay roll.

Q. Is any part of the salary of the commission paid by the Ontario Power Company? A.Yes.

Q. To what extent? A. That is to executive members and executives of the Commission, - the amounts I read which were $19,000,$11,000,$14,000 and $16,000,in the respective periods. I have the detail.

Q. Let us have the details? S.SRr Adam Beck has received a salary from the Ontario Power Commission as President $6,000 per annum.

Q. Amounting altogether to October 31st,last ? A. $25,500; to October 1922; $31,500.

Q. How much from the Commission itself - from the Hydro Electric Power Commission? A. Do you mean for the whole period from November 1st,1911,to October 31st, 1922? The total amount received by Sir Adam Beck from the Commission was $50,000;from the Ontario Power Company $31,500,and from the Province $66,000,or a total of $147,500.

Q. What about the other members of the Commission?

A. Mr.W.K.McNaught for a period,November 1914 to February 1919, received from the Commission solely $17,333.

I.B.Lucas, from November 1914 to July 1921,received from the Commission solely $27,000,and from the Ontario Power Company $3,083.34; a total of $30,083.34.

D.Carmichael from November 1919 to October 31st,1922, received compensation from the Commission,$12,000; from the Ontario Power Company $5,583.34; a total of $17,583.34.

Fred.R.Miller,August 1921 to August 1922,received from the Commission $4,333.33,and from the Ontario Power Company $2,166.66,a total of $6,499.99.

Q. Are any payments made to any of the Hydro officials out of the Ontario Power Company's funds? A. Yes.

Q. You might give us similar particulars in these cases to those given with regard to the members of the Commission?

A. Mr.Pope received as an officer of the Ontario Power Company for the first 15 months ending October 31st,1918, compensation of $2,199.96; he was secretary of the Ontario Power Company. For the year ending October 31st,1919, his salary was $2,266.64; and in 1920 and 1921 $2,400 per year. Mr.Gaby received - I could not say how much in the first period; the year ending October 31st,1919,1920 and 1921,$2,400 per year.

Q. What was his position? A.Chief Engineer. As Treasurer Mr.Gilmour received for the year ending October 31st,1919, $720; 1920,$900; 1921,$1,280. Mr.W.G.Pierdon,the engineer Staff and Accountants Department were thrown together. The amounts were very small; in 1920 and 1921 Mr.Pierdon received a total for the two years of $1,500.

Q. Have you a statement showing the total amount that has been received to October 31st,last by all of the officers of the Hydro,submitted similar to the one you gave us as to the members of the Commission? A. Do you mean a statement that would show the amount received?

Q. Yes,the total amount from the Ontario Power Company received year by year by these officials who had been drawing funds from it? A. The total received by the Commission directly was $42,333.34.

Q. What is the total received by officials of the Commission during the same period,or during the period they have been receiving compensation from that company?

A. That $42,333.34 takes in the salary of Sir Adam Beck, Mr.McNaught,Mr.Carmichael,Mr.Lucas and Mr.Millar. As to how much salary was paid to Mr.Gaby,Mr.Pope,Mr.Gilmour and Mr.Pierdon,I presume that could be shown.

Q. Are there any other officials except these? A. There are some small salaries to stenographers.

Q. Yearly payments? A. No,Sir.

Q. Cannot you give us a statement for the officials of the Commission similar to the statement you gave for the members of the Commission? A. I am sorry I cannot,for this reason that in the first period of 15 months,ending October 31st,1918,I have two items which are not itemized - the

Accounting Department $1,725; the engineering staff department outside,$5,984. I have read into the records the amount paid in each period of which I have note here to Mr. Gaby,Mr.Pope,Mr.Gilmour and Mr.Pierdon.

Q. Do you know the amount received by members of the Commission from the Ontario Power Company?

MR.CLARKSON: No.

MR.GUILFOYLE: During these two years,they were not definitely allocated to the Ontario Power Company.

THE CHAIRMAN: I notice in the Minute Book that there is a definite amount fixed by motion,October,17th, 1917, W.W.Pope's salary to be paid by the Ontario Power Company of Niagara Falls was fixed at $2,000 per annum to take affect October 31st,1917. That would be the first payable to you,Mr.Pope? A. Yes,Sir.

Q. At the same date,on motion,Mr.F.A.Gaby's salary to be paid by the Ontario Power Company,Niagara Falls,was fixed at $2,400 per annum to take affect October 1st,1917.

MR.GUILFOYLE: These figures have gone through all right and you can by deduction take it out of these figures.

COMMISSIONER HANEY: In connection with the construction and operation of the Ontario Power Company, there is a charge for office expenses,engineering and so forth? A. Yes.

Q. Does that charge include the salaries paid by Hydro or any port of the salaries paid by Hydro to these officials who are salaried men? A. It necessarily must include an apportionment of a small percentage of their salary as officials of the Hydro.

Q. They are paid definite salaries as officials of the Ontario Power Company? A. Yes, nominal amounts only.

MR. GUILFOYLE: We took the precaution at the end of every year to see that they were excluded. Before we make our deduction, they are excluded from the administration expenses of the Commission so as not to assess these salaries again against the Commission.

COMMISSIONER HANEY: I want to know if the Ontario Power Company was charged twice?

MR. BONTHRON: It is charged twice, but not with the same amount.

THE CHAIRMAN: It is charged twice with salaries going to the same individuals? A. It is adjusted at the end of the year so that no portion of the amount paid officials is included in the amount apportioned to the Ontario Power Company. The salaries that were directly paid by the Ontario Power Company to the officials of the Hydro as officers and executives of the Ontario Power Company are charged in the account to the Ontario Power Company, and therefore do not enter into the Hydro Electric Commission's books.

COMMISSIONER HANEY: Reverse it. Certain salaries are paid to the same officials by the Hydro?
A. Yes, but these are salaries, but not the same salaries.

COMMISSIONER R.S. ROSS: Does the Ontario Power Company pay by cheque to Sir Adam Beck? A. Yes, in effect.

COMMISSIONER HANEY: Their general fixed expenses which would include, so far as Hydro is concerned the salaries of these officials who are serving on both the Commission and the Ontario Power Company's staff, is a percentage of the salary paid by the Hydro including any charges made for

for head office expenses in addition to the salaries paid by the Ontario Power Company? A.Yes,I am trying to explain that.

Q. I don't mean the same salary? A. I know you don't. There are two charges that enter into the operating accounts of the Ontario Power Company: one is the executive and office pay roll - that is a direct charge for salaries of these officials which we have named,Sir Adam Beck, Mr.Carmichael,Mr.Lucas, and Mr.Millar. In addition there is an apportionment of the Ontario Power Company,the Central Ontario System and all the other systems of the Hydro of the total administration expenses or administrative expenses of the Hydro Electric Power Commission not including any part of these directly charged on the books of the Ontario Power Company. There are salaries in there of executives ,and it is my understanding,and that is what I would like to have Mr.Guilfoyle confirm - I understand these salaries charged on the books of the Hydro are not first eliminated from the total administration expenses before making the apportionment?

MR.GUILFOYLE: That is not right. Through the year there is a percentage shown of the whole administration,and at the end of the year it is adjusted so as to throw out of the Ontario Power Company expenses,any portion of the salary paid to these officials who have also salaries paid by the Ontario Power Commission.

MR.BONTHRON: I will confirm that statement from an examination of the accounts.

THE CHAIRMAN: Are all these salaries paid directly by the Ontario Power Company to these people as officials of

the Ontario Power Company?

MR.GUILFOYLE: Practically all the disbursements for the Ontario Power Company are made through the common bank account of the Commission. They are paid by the Commission's cheque but charged to the Ontario Power Company.

THE CHAIRMAN: I asked you that because I see a minute which seems to be different to the amount given to the President: June 26th,1918, moved by Mr.Lucas, seconded by Col.McNaught,that the salary of the President be increased by the sum of $6,000 per annum,such increase to date from the first day of August,1917, - the date on which the control of the Ontario Power of Niagara Falls passed into the hands of the Hydro Electric Power Commission of Ontario. There is nothing in that minute about making a special charge against the Ontario Power Company,but there is an increase in the salary of the President by $6,000 per annum,and it begins on the date when the Ontario Power Company passed into the hands of the Commission.

MR.POPE: Is that an O.P. minute?

THE CHAIRMAN: Yes, Minute Book 12, but there is nothing about taking it out of the Ontario Power Company.

MR.GUILFOYLE: It is an Ontario Power Company minute authorizing the salary of the President.

THE CHAIRMAN: It says his salary which he now receives as president be increased by the sum of $6,000 per annum.

MR.GUILFOYLE: The salary he was receiving prior to that was only as a commissioner.

COMMISSIONER HANEY: He was President in one case

and Chairman of the Commission in another?

A. Yes.

Q. It refers to it as an increase rather than fixing the amount? A. It should be fixing the amount. It is not an increase as president, but it is paid on a Hydro cheque and charged to the Ontario Power Company,

TO THE CHAIRMAN:

Q. If there had been no company at Niagara holding the property of the Ontario Power Company, and the Commission had just bought over the physical assets, would they have had any right to give these additional amounts to any of the officials?.

MR.GUILFOYLE: If the Ontario Power Company were not an operating company, all the assets becoming assets of the Commission, the amount payable to the commissioners is restricted under the Act to $15,000.

Q. So that this could not have been done if it had not been operated by a separate company? A. No.

MR.GUILFOYLE: It must be kept as a separate entity while the bonds are in force.

MR.POPE: The amount the Commissioners receive as remuneration are fixed by Statute.

THE CHAIRMAN: And it says it cannot be increased except by Order in Council. Was there any Order in Council sanctioning these increases?

MR.POPE: Not increasing them as commissioners of the Hydro but there is a minute of the O.P. Company giving them $6,000 out of O.P. funds.

Q. Do you think it was legal to do it in that way?

MR.POPE: Absolutely.

Q. Did you get any legal opinion on that?

A. I have not had any occasion to do so.

MR.CLARKSON: I raised that question and took legal opinion and I was told it was legal by Mr.Kilmer.

MR.POPE: I did not know it had been questioned.

THE CHAIRMAN: There are other companies that the Hydro has taken over, - for instance,the Central Ontario.

MR.CLARKSON: I reported two years ago that the Act is not sufficient - if they buy a separate company or separate works,it does not say they are works of the Commission,and it does not say you have to put up a sinking fund or anything as to how you shall deal withit. I was told that legally these items must have been paid by the Commission as trustees for the Niagara municipalities. And I was told it was legal to charge these salaries. I think in 1920 or 1921,I raised the question in my report,and I said I still felt there should be some change in the Act so as to deal with the situation. We have it coming up again in the case of the Toronto Power Company,not only the question of salaries but the question as to how they will deal with the question as a whole. In 1921,we were putting up a sinking fund on the purchase price of the Ontario Power Company in anticipation of the Act being amended so as to deal with it on a Hydro basis.

Q. Would not it be just as legal for members of the Hydro Commission to vote themselves salaries now in connection withthe Toronto Power Company as in the case of the Ontario Power Company?

MR.CLARKSON: If it is legal in the one case it is legal in the other.

Q. It would be just as legal for them to vote themselves salaries in the case of the Toronto Power Company?

A. Exactly.

Q. It does not appear clear to me that that is not going rather farther than the Commission should have gone?

MR.CLARKSON: What was present in my mind was this: That the Commission owning the whole of the capital stock of the Ontario Power Company as trustees for the Niagara System, there was power in them as directors or shareholders of the company to vote themselves salaries, and I reported that these salaries had been voted, and that I took a legal opinion and was told it was perfectly correct and perfectly legal to do so. Outside of that what was particularly troubling me was the question of the sinking fund and what would happen, if for instance, the Ontario Power Company should make a cash loss in some year of $300,000 or $400,000 - who would be responsible for the shortage and how we would deal with it. It is quite evident to me that the Act must be revamped in order that a company like the Ontario Power Company and the Toronto Power Company could come within the scope of the Hydro Act. I discussed the matter with the Commission, and I thought I had done my duty when I brought it up two or three times and had mentioned it in the report. I think it has got to be done somehow or other

THE CHAIRMAN: If I were employed as a trustee to manage a big undertaking for the Government and bought this and that property, and one of the properties I bought in the form of buying the stock of the company, it seems to me that if I used the machinery which had been placed in my

hands in that way to nearly double my salary, I should lay myself open to very strong censure.

MR. CLARKSON: Is a fact the salaries that were drawn were reported; it was known to members of the Government that a member of the Government was drawing part of these salaries, and it was reported on the face of the statement, and I discussed the question at least twice. I took legal opinion from counsel and I was told it was legal under the circumstances.

Q. It is a question whether it was a proper thing to do?

A. There is a question of equity in the whole thing. All I can say is there is the situation and I am told it is legal.

Q. They did not have any more work to do than if they bought the physical assets of the company? A. No more than if they had bought the physical assets. The fact was and the fact is with regard to the Ontario Power Company that so long as there is any bond issue in the hands of the public, and the same with regard to the Toronto Power or Toronto & Niagara Power, so long as there are bond issues in the hands of the public, they have got to be kept alive in that shape.

Q. That is the main reason? A. Yes, and it is a very compelling reason.

Q. I think you have done your part? A. The thing has been on the table, and it has been known - openly known - and we have all appreciated - the Hydro Commission - and I hope the Government appreciate it - the thing is not satisfactory at the present time.

Q. Before this was done was there any communication between

the Hydro Commission and the Government about it? Did the Government give it sanction?

MR.POPE: I cannot say that.

Q. You have no records to show? A. I do not recollect any.

MR.CLARKSON: I have ~~xxxxxxxx~~ reason to understand the Government did know these salaries were being paid; in fact they must have known.

Q. You took silence for consent? A. I knew they were being paid, and I knew a Minister of the Crown in this Government and in the last Government was receiving a salary, so the Government must be held to know.

Q. It never was ratified by Order in Council? A. Never.

Q. There is nothing in the Statute to show that they contemplated any addition to the salary except what would be sanctioned by order-in-council? A. That is as Commissioner - there would have to be a sanction of anything in excess of $15,000.

Q. I am looking at this as if it was done by the Commissioners; I think the whole Ontario Power Company is operated by the Commissioners; it comes within the scope of their work. In order to keep the company alive they held certain offices but the work was really done as Commissioners?

A. They got their titles as Commissioners; there is extra work thrown on them as directors of the corporation.

MR.POPE: They are all directors.

MR.CLARKSON: You see the situation.

THE CHAIRMAN: Yes, I see the situation.

COMMISSIONER HANEY: I suppose with reference to the

position of the officers, except the Commissioners, they are full time officers of the Commission? A. Yes, Sir.

Q. Their salaries provide for full time officers? A. Yes.

Q. It would seem that if they were full time officers of the Commission and did work which had a bearing upon the Commission's work that without some authorization from the Government, their salaries could not be increased?

A. Except with regard to the Accountant and Chief Engineer. I think the Commission has authority to increase the salary of their officers without going to the Government. I think the clause in the Act merely requires that formal approval must be given to the salaries of the Chief Engineer and Accountant and Secretary.

COMMISSIONER HANEY: The Commission did not increase the salaries of these officers; it was increased through the powers they had acquired by the purchase of the stock of the Ontario Power Company, and although they were full time officers of the Hydro, they drew a salary from the other company.

MR. CLARKSON: The point I was making is this: You were saying they have to get an order-in-council to increase the salaries: they would have to get an order-in-council to increase the salary of the Secretary, Chief Engineer and the Accountant of the Commission.

THE CHAIRMAN: The section says that the remuneration of the Chief Engineer, the Accountant and Secretary so appointed shall be fixed by the Commission subsequent to ratification by the Lieutenant-Governor-in-Council.

MR. CLARKSON: Any other officers of the Commission can have their salaries raised without reference to the

Government; they were paid salaries as officers of the Ontario Power Company.

COMMISSIONER HANEY: They ceased to perform the function of full time officers of the Hydro

MR.CLARKSON: That is right.

THE CHAIRMAN: It strikes me as being an evasion of the spirit of the Act. That is something that would never be tolerated in any private concern. If these people were employed to manage a company and made use of their position to largely increase their salaries,it would not be permitted.

MR.CLARKSON: I do not know that you can say that.

COMMISSIONER R.A.ROSS: When the new company was brought in they became directors and the President and officers received a salary and the engineer in the same way; I have seen that done many times.

MR.CLARKSON: It is done many,many times.

THE CHAIRMAN: The employees are in a rather different position.

MR.CLARKSON: Having undertaken the onus of a subsidiary company and being officers of that subsidiary company,you very seldom see these people serving as officers of the parent company and of the subsidiary company without receiving some remuneration for doing so.

COMMISSIONER HANEY: I know of a number of cases where they do not receive anything at all.

MR.CLARKSON: Yes,but I think very largely it is done the other way.

COMMISSIONER J.AROSS: Having in mind that the subsidiary is performing a duty which is part of the main business of the parent company,namely selling power to

municipalities,it would be a different question if they were doing something different.

THE CHAIRMAN: I would like to know of a parallel case of any public official doing that.

MR.CLARKSON: I do not know of any public officials; I was referring to private corporations.

THE CHAIRMAN: Supposing the Deputy Minister and all the members of the Department of Railways at Ottawa said that their salaries should be doubled without the consent of the Government,do you think they would get it?

COMMISSIONER R.A.ROSS: Take the Attorney-General at Ottawa, he receives a salary as Attorney-General and three or four other salaries.

COMMISSIONER HANEY: I am speaking of full time officials.

THE CHAIRMAN: Had not there been some discussion as to whether this matter should be dealt with by the Legislature?

MR.CLARKSON: I think either the Premier or the Treasurer or perhaps the Attorney-General has asked for information once or twice as to what is happening and what is being done in this connection,and I have discussed the matter. I think I have told them what the situation was and I have said that the Act should be revamped so as to get it in shape.

TO THE CHAIRMAN:

Q. You state you are not on the list for these increases from the Ontario Power Company? A. I am not; I charge part of my audit fees to the Ontario Power Company.

Q. You just get one fee for doing the whole work,you might

just as well be appointed a special auditor and get $3,000 more? A. I am. I think I am appointed by the Ontario Power Company.

Q. How much increase? A. I get the division of the fee agreed upon.

Q. You seem to be the only one left out? A. No,I am dealt with fairly.

Q. You will give us the statement showing what each official has received from the Ontario Power Company down to the present time?

MR.BONTHRON: Yes,we will get that for you.

COMMISSIONER HANEY: Also the proportion if any of the overhead charges? A. Yes,Sir. Mr.Haney requested yesterday or the day before,a statement as to the quantity of power that was sold for export,that is,sold to the Niagara Lockport Company. It is a little difficult to determine it for this reason: In the 15 months ending October 31st,1918, they received 42,134 h.p. per annum plus 17,400,800 kilowatt hours. The next year ending October 31st,1919,they received 48,348 h.p. per annum plus 5,070,700 kilowatt hours. The year ending October 31st,1920,they received 51,347 h.p. per annum plus 24,272,700 kilowatt hours and in the year ending October 31st,1921, 15,390 h.p. per annum plus 12,874,700 kilowatt hours. They were billed for this at the rate of $16.76 per kilowatt hour per annum which is equivalent to approximately $12.50 per h.p. plus a quarter of a cent per kilowatt on the number of kilowatt hours taken above a certain minimum of horsepower. The total billing for this period of four years and three months in Canadian funds was $2,770,971.65. The part in dispute: they were called upon to

pay in United States gold coin - is $189,612.16. So that on that basis the total revenue plus the premium on the funds would be $2,960,583.81.

COMMISSIONER HANEY: How much power can they take under their contract - what is the maximum?

MR.POPE: 60,000 h.p.

COMMISSIONER HANEY: Is the Ontario Power Company bound to supply that power if they demand it?

MR.POPE: Yes,it is a long term contract made away before the treaty; it was reduced by 10,000 during the war.

MR.BONTHRON: 44,000 kilowatts is the amount stated in the contract.

THE CHAIRMAN: Is that all that is sold on the American side? A. Yes.

Q. What is the term of the contract? A. This contract is to continue in force until April 1st,1950.

Q. Renewable? A. No,Sir. The contract originally provided that it was to remain in force until April 1st,1950, and provided ~~kkkkxxx~~ for renewal similar to the provision contained in the contract between the Ontario Power Company and the Commissioners for the Queen Victoria Niagara Falls Park. That was subsequently amended and a definite term fixed as of April 1st,1950. The Niagara Lockport and Ontario Power Companies are parties to the agreement between the Hydro Electric Power Commission and the Ontario Power Company; that is the agreement of April 12th,1917. There are only three important contracts.

Q. What is the price per horsepower sold to this American company?

A . For 40,000 kilowatts at $16.76 per kilowatt, which is practically equivalent to $12.50 per horsepower per annum,. that is for the first 40,000 kilowatts and for the next 5,000 kilowatts at a quarter of a cent per kilowatt hour.

COMMISSIONER R.A.ROSS: You cannot translate that into horsepower? A. No,there are only two other contracts that are important; one is a contract with the Commissioners of the Queen Victoria Niagara Falls Park made April 11th, 1900,for a period of fifty years from April 1st,1900. The Company has the right of renewal for three successive periods of twenty years each by giving certain notice which would carry the contract through for a period of 110 years,and then beyond that,the Lieutenant-Governor-in-Council may require the company to continue for a further period of twenty years. The company acquire under this a license to construct and operate in the Queen Victoria Niagara Falls Park for power purposes. It agrees to pay a yearly rental of $15,000 plus $1.00 per horsepower over 10,000,and up to 20,000 horsepower; 75¢ for each horsepower over 20,000 and up to 30,000 horsepower,and 50¢ per horsepower over 30,000 horsepower per annum,- $15,000 being the fixed amount,and which gives them horsepower up to 10,000.

TO COMMISSIONER R.A.ROSS:

Q. Practically $1.50 a horsepower? A. There is no charge beyond $15,000 until 10,000 horsepower is exceeded. The only other contract is with the American Cyanamid Company. That provides for the sale of power to the American Cyanamid Company from the date of the contract which was made March 14, 1908,to April 1st,1950, except that there is the right of termination of the contract by either party giving notice on

April 1st,1931, or any date thereafter,and the agreement may then be terminated in three years from the date of giving notice. This provides for the sale of 26,000 fixed electric horsepower; there is no option to take less and no option to supply more.

Q. At what price? A. $10.50 per h.p. per annum. It also restricts the company from selling power to anyone else for the purpose of making calcium cyanamid (lime nitrogen) or other materials covered by letters patent owned or controlled by the Cyanamid Company.

---Adjourned at 1:15 P.M. until 3:15 P.M.

---3:15 P.M. RESUMED.

WALTER J.FRANCIS,C.E.

TO THE CHAIRMAN:

Q. You are a member of the firm of Walter,J.Francis & Company,Montreal? A. Yes.

Q. You are a consulting engineer of this Commission?

A. Yes,Sir.

Q. You have handed to us a report upon the accident which took place at the Ontario Power plant in April last?

A. Yes,Sir.

Q. Have you taken that up with the engineers of the Hydro Electric Power Commission of Ontario? A. Yes,Sir.

Q. Can you say whether or not they concur in your report?

A. I believe they concur.

Q. They so expressed themselves to you? A. Oh,yes.

THE CHAIRMAN: Mr.Gaby was to be here but he has not turned up; we know he is a pretty busy man and we do not desire to bring him here unnecessarily. Do you think we can go on?

MR.JEFFREY: Yes,Mr.Brandon is here.

TO THE CHAIRMAN:

Q. It is not necessary to go over this report in detail but we would like you to tell us in your own words something of your investigation of that accident and the cause of it and the defects you found? A. I can express an opinion.

Q. When did it take place? A. April 22nd,1922,in the early morning about 2:44.

Q. At what station? A. In the building of the Central Ontario Power Company,machine No.15 was the machine that flew to pieces. In flying to pieces it did considerable other damage; it seriously damaged machine No.16, which was its mate,and caused secondary damage by way of water to machines Nos.11,15,13 and 14, which were temporarily put out of commission for about six weeks afterwards. The cause of the accident,Sir, as I determined it to my own satisfaction,was the faulty steel castings that had been used in the rotor machine No.15. That rotor is composed of a shaft spider of cast iron, two steel cast rings on the spider, primarily to hold the four pieces of the machines. These steel cast rings were lacking in homogeneity and were the immediate cause of the disaster.

We made a very thorough examination of that,and I concluded my examination by 32 standard tests,all of which went to show that the steel in the rings, as I found them in the machines,would not pass standard specifications,and I satisfied myself that that steel was the immediate cause of the accident,the breaking of the steel. The quality of the steel was the immediate cause.

Q. What happened on the breaking of the steel?

A. When the machine flew to pieces, one of the first things that occurred was the throwing off of the pieces of these two rings with the pole pieces weighing about ten tons. It went up through the roof of the building, pierced the re-inforced concretee slab of the roof, came down again through another part of the roof through the same slab and alighted on Machine No.11, where it fortunately did no immediate or serious damage. It destroyed the whole of the roof of the part of the plant in which it was situated, seriously damaging unit No.16, its mate; the falling roof broke the wheel case of Machine No.15 allowing the part of the plant on which 15 and 16 were housed to become flooded. The water passed from there to other parts of the plant flooding machines 11, 12, 13 and 14, and did a lot of secondary damage as well. Machine No.15 was absolutely destroyed, nothing left of it, that is the electrical part of No.15; the turbine of No.15 was not seriously hurt. The generator of No.16 was seriously damaged but the turbine of generator No.16 has not been injured

The concrete of the substructure in that part of the building that contained these two machines was not injured seriously but the superstructure was seriously damaged. The re-inforced concrete gallery broken and windows smashed and the whole roof demolished. The roof trusses came down on the machinery and generally made an indescribable mess; the cast iron and steel was reduced to small fragments. This all happened in a very short space of time - most of it within four minutes.

Q. You speak of this part of the building; what was there between this part and the other part? A. The whole of the Ontario Power Plant, Sir, was built successively and when the

Hydro Electric Power Commission took the plant over they added an addition; there was a northerly wall of the building down stream of the river, and they made an addition big enough to hold two 18,000 horsepower units which were subsequently designated as 15 and 16.

Q. Which are destroyed? A. Yes, which are now out of commission.

Q. Did the presence of that wall there prevent more damage being done than might have otherwise been done? A. I think it is very fortunate indeed that ten times the amount of damage was not done by the accident. That wall certainly prevented a tremendous amount of damage, both from the flying fragments and water damage. It is conceivable that the whole of that plant might have been destroyed. All of the machines were in line from one end of the plant to the other and if that ten ton fragment, to which I referred, had alighted three feet more to the left, that is to say, on top of the motor and machine No.11, I fear the result would have been very disastrous for the whole place. As it was, being housed in separate compartments, I think the damage was materially reduced.

Q. Would the whole plant have been put out of business if it had landed three feet away? A. I fear it might have.

Q. That would have been a very serious matter? A. It was serious enough, but it would have been very much more serious if this piece had alighted three or four feet from where it did in a westerly direction. I fancy that piece was deflected in its passage through the roof twice; it weighed ten tons.

Q. Where was this defective part made? A. The two steel

cast rings were made at the Canadian Steel - I have forgotten the exact name of the firm in Montreal.

TO COMMISSIONER R.A.ROSS:

Q. You mean the one down the canal? A. They were cast in Montreal.

Q. From whom were the machines purchased? A. The Canadian General Electric Company, Peterboro.

Q. What was the extent of the damage from a financial point? A. Something in the order of half a million dollars.

Q. That is direct damage to the machinery? A. No, Sir, that is basing the figure on the estimation that the unit might have been replaced in nine or ten months, and buying power in the meantime when it is out of commission.

Q. The half million dollars damage would include the cost to which they were put in buying power in the meantime?

A. Yes.

Q. Do you think that would cover it? A. Yes, something in that order, $500,000 or $600,000; it is near enough for a general figure. I did not make a close estimate.

Q. I have understood from what you have said to us that the accident was caused by the wheel revolving at a high rate of speed? A. Yes, but not so high a rate of speed as the machine was guaranteed to stand; the normal revolution of the machine was 187½ revolutions per minute; it was guaranteed to stand 360 revolutions per minute. Many computations have been made; I have seen figures and have made calculations myself and I doubt very much if that machine was running at 330 when it went to pieces.

Q. Are you satisfied it was running less than 360 revolutions per minute? A. Absolutely.

Q. Are you also satisfied it was not running 360 revolutions per minute?

MR.BRANDON: Yes,Sir.

Q. Was it provided in the specifications that the machine would stand 360 revolutions per minute?

MR.FRANCIS: Yes,Sir,and clearly stated - in fact several adjectives were used in that connection.

Q. What adjectives? A. They are nouns: "The generator shall be designed and constructed for and shall withstand an overspeed test of 360 revolutions per minute without injury,excessive vibration or failure".

Q. What caused this excessive number of revolutions per minute at this time? A. I do not know,Sir. I was not able to ascertain what caused it. Primarily there was a short circuit on the transmission outside of the plant - several other minor things occurred inside,amongst them,the spring and the head of the governor of No.15 was found broken after the accident;just what affect that would have I do not know and I have not satisfiedmyself and I have not found anybody else who was satisfied as to the exact cause of the overspeed, but of course the machine should have withstood that overspeed.

Q. How did you arrive at the conclusion that the steel was not of proper quality? A. By inspection and tests,Sir. The steel as revealed in the wreckage was very coarse and manifestly of poor quality. The section of each of the two ring is 21 inches by 22 inches,and while the metal on the outside of the section on the border of the section was comparatively fine in the grain,the texture in the centre of the section was very,very coarse. Thirty-two test pieces were taken from all parts of the cross section.

Q. Who made the tests? A.The actual tensile tests were maee by Mr.R.B.Young,Assistant Laboratory Engineer,of the Hydro Electric Power Commission,at the Strachan Avenue Laboratory.

Q. Did you have any tests made otherwise? A. Not in the way of tensile tests; of course many other things enter into it. Besides the ultimate scientific tests,we watched everything carefully from the beginning of things and perhaps the first important thing to mention after noting the appearance of the fracture,was the fact that when we came to cut the casting up,we had great trouble not only with the drills but with the milling machine,themetal was so hard at times as to deflect the drills and give great trouble with the milling. That was the condition of the metal in its natural state as we found it in the wreckage. Now,in comparison with that, in order to get the real quality of the steel I had two large pieces annealed and the annealed steel cut up readily enough,and there was no trouble with the drills or milling machines,so that the cutting up of these pieces might be considered a second important element in showing us that that metal was not uniform in quality. Then when we came to our 32 tests that was clearly proven. A rather significant thing in these tests was the fact that while the annealing improved the steel so that it would pass standard specifications,half of our specimens were almost entirely lacking in the element of ductility.

Q. What is ductility? A. The drawing qualities of the metal. In making these tests,we like to see the section stretch and reduce in area at the point of fracture. Half of our specimens did elongate in the proper way and reduce in area

at the point of fracture, and the fracture showed more or less fibrous structure as good steel should do, but the other half did not give us any elongation worthy of mention, did not give us any reduction in area worthy of notation, and the fracture was more or less like the breaking off of a sugar stick. These facts indicate lack of uniformity in the metal itself, the pieces to which I refer were all from the same section and the same casting and the same ring. Another marked thing that we found was that the results were exactly the same in the two rings. I have explained that there were two rings shrunk on this cast iron casting form the rotor, and the results we got on one ring were exactly the same in the other. Half our test specimens were satisfactory, and the other half not, as regards ductility.

Q. You have spoken of the test provided for in the specifications; did you make any inquiries as to whether these tests were ever made? A. Yes.

Q. Were they made? A. Yes, Sir.

Q. Where? A. In Montreal, by the Canadian Testing and Inspection Company.

Q. Did they test whether these machines would stand 360 revolutions per minute? A. No, they have no way of doing that; that is a test that can only be applied after the machine is completed.

Q. Had they no way of setting it up in the place where it was made? A. No, Sir.

Q. Was that test ever applied? A. No, Sir.

Q. Why not? A. Because of the load conditions; under the circumstances, the only place that test could be applied

was in the Ontario Power Company's plant. Under the load conditions over there at the time of the erection, they were not able to apply that test.

Q. Why not? A. Because they could not spare the machines; they had to keep them at work.

Q. If it had not stood the test, if it had failed, it would have been put out of business and they would be a machine short? A. I feel this way about it, personally, that it is perhaps a very fortunate thing they did not test at that time for this reason: they got nearly three years use out of the machine; it served its purpose and was useful for nearly three years. It would have been a very much more serious matter if that machine had broken in 1919 than last spring, because at that time we were under war conditions and needing everything that could be got, and therefore when the machine broke, it was an early hour in the morning, 2:40, I believe it was, and nobody was around, and consequently nobody was injured. That plant is usually frequented by a great number of people who enter on the galleries and look around, and if any people had been there when that accident occurred, I do not know what the result might have been.

Q. Do you recollect that that was the day we were to go there? A. No, I did not know that, but you would not be going in at 2:40 in the morning.

Q. It would occur to me that if the specifications provided for that test being made, it was assumed possibly that the machine would be subjected to that test at some time, and what you speak of might take place, and it would seem to me to be a matter of importance that in some way it should

be shown to be capable of standing that test?

A. There was a provision, if I remember, in the specifications for not making the test in case conditions were such that it could not be made, and the contractors could demand acceptance of the machine without the test if that was not applied within a certain length of time; that is not unusual.

Q. By that test not being applied, this accident took place and it might have, as you said, put the whole plant out of business? A. Yes, Sir.

Q. Does not it seem important to safeguard in every possible way against such an accident taking place? A. Just so.

Q. Could not you suggest some way in which the test could be made to insure the purchaser of the machine that it will stand a test of that kind after it has been put in operation? A. If the purchaser would install a test pit, a special place for doing that work, the test could be applied, but it would be a costly proposition - very costly.

Q. It might be more costly if the test was not applied?

A. That is very true; it is one of these things that can be done. I presume the only immediate effect would be to increase the cost of such machines because if the manufacturers have to put in that kind of equipment, their overhead will be so much more and consequently their price would be increased somewhat. That is all there would be to it; there is nothing physically impossibly about it.

Q. The Hydro is the purchaser of a great deal of machinery; would it be practicable for the Hydro to have a place where such a test could be applied without injury to other machines? A. I do not think so; such a thought never

occurred to me. The natural place to have it applied would be in some department of a manufacturing works and it should be applied before the machine leaves the shop or before it leaves the works. I do not say the shop in which it was made, because I think the test should be madeoutside.

Q. You think that would be the proper place? A. Yes, and then if everything is not right it would be still there to be corrected.

Q. What took place in the Ontario Power Plant might take place in any other plant with almost untold damage? A. It is conceivable, Sir, of course it would depend largely on the construction of the machine and construction of the castings, and all that sort of thing; many factors would enter into it, but there might be great damage.

Q. I suppose there is no place where so much damage might be done with such far reaching effect as in a power house. Take for instance the Chippawa Power House or any other large power house; a serious accident there might put a large part of the manufacturing concerns in the Province out of business for a month? A. Yes.

Q. Is it not important that the possibilities of such a thing occurring should be prevented if possible? A. Yes, that is important.

Q. Is it important to try and work out some system by which that risk would be reduced to the very minimum?

A. Yes, in the conclusion of my report I have suggested that our practice - and I mean by that the practice of the Hydro Electric Engineering, should be modified and that we should have standard specifications which would insure for us reliable steel castings as far as possible. At the

present time there is no such specification as far as I know.

Q. It would be practicable to arrive at such specification so as to insure that? A. I feel sure that a standard specification would attain that end as far as such end could be attained. Such a specification might be prepared within a fairly brief period of time, maybe within six months, and if we had such a specification then every designing engineer, and every manufacturer and every electric manufacturer and every steel foundry-man would know exactly what he was doing.

Q. Would the specifications be designed to insure the quality of the metal? A. That would be its object. Steel castings when properly annealed are excellent structural elements but when they are not properly annealed they are most unreliable.

Q. Have you any reason to suppose that other castings made in the same way are free from such imperfections as were shown in this one? A. I do not know of any others that were just like these; these were very large machines, 18,000 horsepower, and the cross sectional area of these steel cast rings was quite large; I do not know of any so large. Of course there are all sorts of ways of building rotors; this one was built up in the manner described.

Q. The examination that was made after the machine was delivered would be of a somewhat superficial character?

A. The records show that all this work was followed in the usual way; that regular inspections were made of them. The difficulty that arose in this case in my judgment is this: all the work, and when I speak of work I mean the machining, all the machining done on these rings was done

on the outside surface. The annealing this casting would receive at the foundry, would be the greatest on the outside and least in the heart of the casting. The details of this machining did not require any work of any nature to be done in the heart of these rings.

Q. That is where the defect was? A. Largely, yes. The defect was greatest in the heart, but the irregularity, of course, in the metal, lack of homogeneity, extended out practically to the surface.

Q. Your plan would be to have specifications to insure that examination would be made in the heart? A. Yes, my idea of the specifications would be something that would insure thorough annealing and that would give us test specimens from any part of the casting which would follow certain physical tests.

Q. Would you also apply tests to see that it would perform a certain number of revolutions per minute? A. Yes, and I should like to see large manufacturers put in proper testing equipment for all machines, big and little, and have these testing places outside the shops. That is what I would like to see.

Q. There would not be much object in putting it in the specifications unless there was some provision for seeing that the machine would stand the test. Is it wise to centre so many of these motors in a comparatively small space where an accident might result in their destruction, might it not be wiser to have them in smaller plants, so that if an accident did take place to one of them, the damage might be minimized? A. The financial requirements would generally prevent us from separating these machines

very widely; certain precautions have been taken and are being taken all along by some engineers to prevent damage of that kind. Sometimes generators are separated from turbines and are not put in the same room. Some engineers like them put in in one way and some in another. I cannot say that either would be considered bad practice, or even poor practice. I understand that the Niagara Falls Power Company with the three large units they are about to install, are separating them from the rest of the machinery by a re-inforced concrete wall.

Q. It might be a wise precaution? A. I think it is.

Q. You see how this wall saved this building? A. That northerly wall minimized the damage.

Q. We are really establishing a new system of producing power for the machinery throughout this Province; we have had hundreds of plants for operating machinery, now we are concentrating in one little place and it strikes me that perhaps we have not taken as full precautions as we should because we have not realized what might happen if an accident took place and it occurs to me that we should minimize the possibility of accident as much as possible?

A. It is very hard to make a general statement about that. No two plants are designed exactly alike. For example, in the Queenston plant in a general way, I should say, it is much safer from that point of view than a plant designed like the Ontario Power Company. In the Queenston Plant the machines all have vertical shafts and they are generally below the operating floor of the plant and it is hard to conceive that one of these machines, if it were to go to pieces, could do anything like the damage that one might do in an open room, such as the Ontario Power Company,

but of course we must remember this, the Queenston Plant is perhaps the most modern example of Hydro Electric practice. I should say maybe the last word in Hydro Electric practice; I should not be at all surprised if the engineers would say they have already learned something from that plant and would modify it in subsequent additions. That plant is very, very different from the plant of the Ontario Power Company, designed 20 years before.

Q. The same principle would apply when your power is centralized in such a small area; everything possible should be done to protect it and reduce the possibility of accidents? A. Oh, yes, of course that is prudent.

Q. That is of enormous importance? A. Yes, it is prudent to do that.

Q. Are engineers directing their attention to that phase of it? A. I understand that is what is being done in the Niagara Falls Power Company now; that of course is since the accident at the Ontario Power Company.

TO COMMISSIONER J.A.ROSS:

Q. Supposing for example through some disaster the generators at Queenston were flooded, the germane point is that if these generators were in outbuildings, there would not be nearly that hazard. Would it be wise to spend some money for the purpose of isolation?

THE CHAIRMAN: A broken penstock might put that whole Chippawa plant out of business? A. It would do a lot of damage, of course.

Q. It takes such a long time to replace one of these machines? A. It is very hard to conceive of certain things

breaking, especially things like a penstock. I think the whole matter would have to be gone into as a question of insurance and so on. At Queenston the machines are placed at 50 foot centres. Every lineal foot of that substructure costs a lot of money. The increased length, so as to put every machine in its own room, would be rather a costly matter and I should not like to express an opinion on it. In theory it would be all right, but in practice I do not know just how far one could go.

Q. Would the Forebay have to be spread out? A. It would all mean increased expenditure. I only mentioned substructure of the power house - it would mean lengthening everything out. The substructure of the power house itself costs a great deal of money to put in there per foot.

TO COMMISSIONER J.A.ROSS:

Q. In constructing an ocean liner they put in a number of bulk heads or water tight compartments? A. Yes.

Q. I suppose it is a question of finance? A. Yes, and the development of the art. I think this should be recalled that the Hydro Electric art has been evolved long since Mr.R.A.Ross started engineering. I think he made the first electric machine that was made, and that is within a very short period of time relatively. When we compare it with other arts, we see how quickly the evolution has come about. We have gone from no electric energy at all, as far as individual citizens are concerned, to developing our electric energy in chunks of 50,000 and 75,000 h.p. per machine, that is a tremendous evolution when you come to think of it, and in a very, very short space of time.

TO COMMISSIONER R.A.ROSS:

Q. What exactly was the trouble with the steel that caused this break? A. It had not been annealed.

Q. What method should have been taken in order to ascertain if it was annealed? A. It would have been possible in the case of these rings to use a core drill and obtain metal from the heart of the ring. I do not know that that was ever done. As a matter of fact Mr.Gaby instructed it to be done. I believe Mr.Brandon had it carried out in the early investigation of this accident on the fragments of the broken machine No.15, but in practice I have never known it to be done. It would be possible to do that however, at the shops in the early stages of manufacture, practically before any manufacturing started on the rings.

Q. What is the manufacturing process of testing in conformity with the art today? A. The regular practice in connection with steel castings is this: The specifications usually say the casting shall be thoroughly annealed. I do not know of any specification that is more explicit than that, just the general expression. Now, the steel foundryman makes his casting and after he takes it out of the mold he puts it in an annealing oven for a longer or shorter period, and in due time he says he has annealed it thoroughly. There are coupons, small pieces of metal, left projecting on the outside of the casting for the purpose of testing. These coupons are cut off after the casting is said to be annealed and turned into the standard sizes for testing specimens and tested in the regular way, and the results noted, and if the element of strength and

the other elements, elastic element, elongation and reduction area comply with the specifications, the inspection department would report that the casting is satisfactory. The difficulty arises from the fact that the coupon is on the outside of the casting and gets the most advantageous effect possible out of the annealing, and it may not, and probably does not, represent the effect of the annealing on the interior or heart of the casting.

Q. How would you get this information to engineers and get the matter remedied for future work? A. My suggestion is this: we have here in Canada the Canadian Engineering Standard Association, with a paid secretary at Ottawa. The whole object of that Association is to make standard specifications for the use of engineers and as far as possible to fit together in the practice of engineering with Great Britain, United States and Canada. The Canadian Engineering Standard Association have been engaged for several years in making standard specifications and have produced quite a number, and I feel sure would immediately take up this question if it was referred to them and a committee would be appointed. They can do this themselves in conjunction with the manufacturers of electric machinery and steel foundrymen and the Canadian branch of the Canadian Manufacturers Association, and if all these representatives were to agree on a standard specification the trouble in buying steel castings would bereduced to a minimum, and I think we could be assured after that, that our castings were as reliable as our engineering material usually is.

If it were desired to have some assistance for

the Canadian Engineering Standard Association, of course that work would be done by engineers. The Institute of the American Society of Testing Materials are a recognized body in the United States and would be only too anxious to set up standards for all these things, and I feel sure technical bodies in the United States would join if they were asked. Therefore, my position is this: I feel that all the engineers, especially those interested in Hydro Electric work, and the manufacturers of heavy electrical machinery, for example, the Canadian General Electric, the Westinghouse and other big concerns, and all the big steel foundrymen would be only too glad to get together and make a specification which would insure the reliability of steel castings as produced by foundries.

Q. The Standard Association of Canada has already issued a number of standard specifications? A. Yes.

Q. These are accepted by the trade? A. Yes, and by the profession.

Q. Is this the only contingency that might occur in power plants of this kind or are there other things?

A. The Chairman speaks of segregation; I suppose he means segregation within economical limits. There are a number of other features that would have to be provided for and by the time you provide for all these things, you would be out of the scale as regards economics, which I attempted to indicate in my answer to the Chairman and to Mr. Allan Ross. By the time you come to make dollar and cent figures you would find you would have to stop somewhere; I do not know where the stopping place is just now, but generally speaking

there is a limit and that limit is possibly reached sooner in the case of private corporations expecting to earn dividends than in what we might call public institutions, - I use the words within the limits - like the Hydro Electric Power Commission of Ontario which is providing power at cost. A private corporation expects to make dividends for its stockholders and of course that immediately limits engineering expenses.

Q. Unless you find some method of remedying this trouble with the steel rings, have you any other suggestion you would make to take their place? A. We have another method of construction sometimes used, not always applicable; it is a question of judgment on the part of individual engineers In the case of rotors frequently steel plates are used in the rings, that is rolled steel plates; they probably cost more and in the judgment of some engineers they are no better. Some think they are better; others think they are not; personally I would say this : In a general way, unless I know something of the annealing and the history of the steel casting, I do not want anything to do with them, but when I know its history and when I know how thoroughly it has been annealed, I have as much confidence in that steel casting as I have in any other engineering element.

TO COMMISSIONER J.A.ROSS:

Q. When you mention the point of financial limitations, is there any point at all within reason, where you should stop when it comes to the question of protecting a power house like the Queenston-Chippawa development with five generators, If you can conceive of a catastrophe there

that would wipe out or disable that plant for three or four months and withdraw all that power from the Niagara District for a period of time, is there any limitation to the financial expenditure within any kind of reaon at all that you should stop at? A. I cannot disassociate the Queenston plant frompublic ownership of a certain kind nor can I conceive of a private organization building an independent plant. It is important,as you say,to use all reasonable precautions. If as an engineer I were to consider there was danger of flooding out the Queenston plant or such a failure as you suggest,then I would be justified in going to considerable expenditure to prevent that. These things are to some extent a matter of judgment on the part of the designing engineers. Perhaps you would not get two to agree on that. We have hundreds of plants all over the country in which there are no failures; the country is literally covered with places in which there are no failures.

TO THE CHAIRMAN:

Q. We have humdreds of buildings in which there have been no fires? A. We do not guard against these things; you would be justified in going a certain limit, but I think it would be a matter of opinion just what the advantage would be; I am not apprehensive in the slightest of a failure of the penstocks at Queenston.

TO COMMISSIONER R.A.ROSS:

Q. If you have a dozen wrecks on a railway that means a small percentage of the total rolling stock, but you are putting your eggs in one basket? A. You have got a lot of lives at stake in one case and a few engineers in

in the other.

TO THE CHAIRMAN:

Q. I think we are all agreed that any precautions of this kind must be taken, but within certain economic limits. We are losing sight of the fact that never in the history of the world has any such tremendous power been created in such a small space, and never before has such economic consequences to our Province and the Dominion been so great as would occur in the case of an accident in the Queenston plant? A. I think perhaps you are right; it would be disastrous in a case like Niagara.

TO COMMISSIONER J.A.ROSS:

Q. There is no steam plant to take the load up and every industry would be closed down? A. There have been other machines go up in other parts of the world; I do not know that there have been any others of any serious consequence in any Canadian plant; I do not recall any just now. I feel in this case we traced it to a very definite end and a thing which we can avoid.

THE CHAIRMAN: I think your suggestion is very good and very practicable, but I think you will have to do something in the way of designing a plan to carry it out.

TO COMMISSIONER R.A.ROSS:

Q. Would there be any use in taking precautions of that kind and isolating every unit if it would be possible to do so, unless you provided for the safety of the canal. How much more risk would there be of ice stopping the whole plant than of a machine bursting? A. I am not prepared to say that at Queenston, because there is such an enormous development, and there is no precedent for it

that I know of; there is a chance that the ice risk may be as great as the other risk.

THE CHAIRMAN: It would not be so enduring; the ice would melt.

TO COMMISSIONER R.A.ROSS:

Q. If you start doing that you do not know where you are going to end; you would have to carry your precautions right back to the source of power and when you have done that you have rendered the thing uneconomical.

THE CHAIRMAN: Is not there a happy mean?

COMMISSIONER R.A.ROSS: We have it, that is the engineer's work; in engineering work we do not have so many accidents after all.

TO THE CHAIRMAN:

Q. What is the life of that third pipe line?

A. Probably 20 or 25 years more.

Q. Without any large sum being required? A. I have not examined it; these wood stave pipe lines have a life of something like 25 years - depends on the ground. Sometimes they last longer than others; sometimes they will go in 15 years. It is the hoops that go, not the staves; they stay wet and they are good forever, but the hoops rust.

THE CHAIRMAN: You have heard what Mr.Francis says, Mr.Brandon; are you in general agreement with him?

MR.BRANDON: Yes, Sir.

Q. Do you want to ask Mr.Francis any questions?

MR.BRANDON: I would like to add in connection with the accident that the General Electric Company of the United States claim they have never had a failure and they adhere to this type of machine.

Q. Have they got specifications in the United States or in Great Britain which would have prevented machinery of this kind being accepted? A. No,Sir.

MR.BRANDON: The Canadian General Electric Company work very close with the American Company in their specifications.

COMMISSIONER R.A.ROSS: If this accident had happened in the afternoon,there might have been 25 or 50 or more sightseers in that room; are you excluding the public now as a result of the accident?

MR.BRANDON: No,I do not believe so; the public can go in as usual.

COMMISSIONER R.A.ROSS: Have you had any conversation with any manufacturers as to whether they agree with your diagnosis of this case? A. Not with the steel foundrymen but I have with the Canadian General Electric. Q. Not with those who are implicated? A. No,I have not talked with any of the steel foundrymen.

TO THE CHAIRMAN:

Q. The Canadian General Electric Company agree with your conclusions? A. I think you would say the Chief Engineer of the Canadian General Electric agrees; I have not asked Mr.Ashworth,the General Manager,whether he agrees,but the Chief Engineer has seen my report and has seen my specimens and he agrees.

EDGAR T.J.BRANDON.

TO THE CHAIRMAN:

Q. What can you add to enlighten us upon this subject?

A. Mr.Francis reviewed conditions at the time of the accid-

ent - that the machine apparently ran away due to unsatisfactory annealing of the rotor rings the machine exploded. We worked very closely with Mr.Francis in his investigation; he used our laboratory in making these tests and we worked with him from the start.

Q. You heard what he said as to the reasons for not applying the tests provided for in the specifications?

A. Yes.

Q. What do you think of that? A. That was the condition we were very short of power capacity at the time and I might say also a great many people do not make these tests, and we did not consider we were establishing a precedant in operating without the test. I might say shortly after the machine was in operation it had run away; that is a condition that is liable to occur if the load is dropped on the machine and the governor refuses to function properly.

Q. This machine did run away? A. Yes.

Q. How many revolutions? A. I cannot tell you but it ran away.

Q. What was the cause? A. If the load drops,if there is a short circuit on the line,the machine cannot deliver any power and the water is still delivered to the turbines and the generator is not delivering power,hence it runs away; the governor is supposed to cut the water off the turbine,and it did not act. If the governor does not function properly the machine will run away.

COMMISSIONER R.A.ROSS: This machine that had run away apparently carried two other machines with it?

A. Yes.

Q. Because they were tied in the same bunch? A. Yes.

Q. That would tend to close down? A. That will act as a load on the machine.

Q. I spoke to Mr.Francis about it running 330 revolutions; I do not see how it could possibly reach over 300. You would not be up to more than 175 and the other machines would act as a brake on it,and perhaps with their governors acting to a certain extent I do not see how it would ever get up to 300.

TO THE CHAIRMAN:

Q. What do you think of the desirability of applying that test at the manufacturers before the machine is delivered? A. It would be desirable as a matter of insurance,but as Mr.Francis stated the cost would be excessive. I have an idea you would be able to buy another machine and instead of paying $500,000 you would pay $600,000.

Q. It would be well to prevent accidents? A. They say they never had an accident in the United States.

Q. What factor of safety have you on that machine if it was good steel? A. I have forgotten the specifications we were to be within the elastic limit with that overspeed.

Q. The safety factor would possibly be two or three times? A. At least two at that high speed.

Q. So that you have your safety factor there and if you have the material you would be all right; so that the material is the whole thing? A. Yes.

Q. Having the steel properly annealed and the question of speed,then is not of much use. To make the speed test in that station itself,I have made them and I do not like it; it is a horrible job; it can only reveal two things:

either the thing will go to pieces and wreck the station or it won't. If it does not you are not much better off than you were before; you might be just on the edge of the disruption and still have the chances of the machine going to pieces - getting the steel is the whole thing.

TO THE CHAIRMAN:

Q. What do you think of Mr.Francis' suggestion of having a standard specification that would insure proper quality of steel? A. They have a standard specification for steel now; I do not know to what extent the piece would be affected by the taking out of these samples; you would probably have to make the rings larger to provide for that.

TO COMMISSIONER R.A.ROSS:

Q. Don't you think if your specifications were formed on lines that had been determined by tests that you would be able to specify a certain heat temperature for a number of hours; it would certainly produce the kind of steel you wanted? A. Of course the outside temperature would have to vary on account of the heft of the metal. The Niagara Falls Power Company who are installing three generators larger than these are having the generators with cast steel rotors.

Q. Don't you think the safest thing is to carry it down your shaft and get rid of the cast iron spider and get the material you know all about and put it together in a reasonable way? A. You have a cast steel spider in that case. As I say,it has been the practice of the General Electric Company of the United States who are one of the leaders; and the Niagara Falls Power Company are still

getting machines of that design.

Q. Did you take into consideration the question of safety in the Chippawa plant? A. Yes, right through. In connection with one of the questions, Mr. J.A. Ross asked Mr. Francis with relation to the penstocks to prevent flooding; the whole building is a dam to about four feet above the power house floor; that is the floor where you stand on top of the generators; that level was determined by Mr. Akers; that is some 50 or 60 feet above the water.

Q. What flaor is that on? A. That is all the way up from the bottom right to the power house floor.

Q. Between number five and six? A. Yes, that is the end of the present development; it is a bulk head like in ships.

Q. Can you by any means isolate your electrical machines from your water machines, turbines?

A. They are about 50 feet now; it is fully 40 feet from the turbine up to the generator.

Q. What would happen if that pipe burst; is there any possible way of keeping that water? A-We have precautions in the power house; we have large gates near the centre of the power house on the right side and we have a valve 10 or 12 inches, and the water would run to the river instead of to the generators; it might fill the hole near the generator but it would not damage the generator; I think we have better segregation there than in any other plant in existence.

Q. Is this wall between No. 5 and No. 6 as much protection as if you had two separate buildings? A. It would be for flooding.

Q. Supposing one of the mahhines went to pieces as the machine in question did? A. I cannot say that if No.5 machine broke and the whole force of that machine went against that wall it might not fracture the wall, but it is some assurance.

Q. Is it practical to have two power houses instead of one separated by 100 or 200 feet? A. The biggest consideration would be the hydraulic consideration; the Forebay, would have to be that much larger. I presume we could have done something more than we did but it cost a lot as it was.

Q. The power house that you have is up to the highest advances of the art at the present time? A. Yes.

Q. We were speaking of the third pipe line, who made the estimate for the cost of that? A. It was made by the Hydraulic Department.

Q. What was the estimated cost? A. I cannot tell you.

Q. Do you know Mr. Jeffrey?

MR. JEFFREY: No, I do not know.

MR. BONTRON.

TO THE CHAIRMAN:

Q. We were speaking to you this morning about the cash value of the bonds given to pay for the Ontario Power Company, about $8,000,000? A. The cash value of the 8,000,000, 40 year 4% bonds on the basis of 5% return with interest semi-annually were worth at the date of issue $6,621,993 on the basis of 82.77.

Q. Another question asked you was the total amount of remuneration paid to the officials as officials of the

[illegible] use of the machines sent to please [illegible]
[illegible] in quantity [illegible] A. I cannot say [illegible]
[illegible] brass and the whole force of that [illegible] was
[illegible] that was [illegible] not [illegible] the [illegible]
[illegible] about [illegible]

[illegible] it possible to have two power houses instead of
one to supply 10 or 20 [illegible] A. The [illegible]
[illegible] operation would be the [illegible] combination, [illegible]
possibly, would have to be that much larger. I [illegible]
would have done [illegible] the [illegible] we [illegible] [illegible]
[illegible] as it was.

The power house [illegible] have to be up to the [illegible]
[illegible] of the [illegible] at the [illegible] time? A. [illegible]
We were operating at [illegible] to be like, [illegible]
estimate for the [illegible] A. It was made by [illegible]
[illegible]

What was the estimated cost? A. I cannot tell you.
Do you know Mr. [illegible]
Mr. [illegible] No, I do [illegible]

Ontario Power Company? A. I have it separately, paid officials per year, Sir Adam Beck received as President in the 15 months to October 31st, 1918, $7,500, and in each year ending October 31st thereafter to 1922 inclusive, $6,000, making a total of $31,500. Mr. D. Carmichael in the year ending October 31st, 1920, received $1,583.42; 1921, $1,999.92; 1922, $2,000, a total of $5,583.34. Fred R. Millar received in the year ending October 31st, 1921, $500.01; 1922, $1,666.65, making a total of $2,166.66. I.B.Lucas received in the year ending October 31st, 1920, $1,583.31; October 31st, 1921, $1,500.03; nothing in the year 1922; making a total of $3,083.34. F.A.Gaby received in each period $2,400, making a total of $12,000. W.W.Pope, Secretary, received in the first 15 months, $2,199.96; in the year ending October 31st, 1919, $2,266.64; and in each of the three years to October 31st, 1922, $2,400; making a total of $11,666.60. G.W.Gilmour received in the 15 months ending October 31st, 1918, $1,500; in 1919, $720; in 1920, $900; in 1921, $1,280; in 1922, $1,320; making a total of $4,370. W.G.Pierdon received $500 in each of the last three years, making a total of $1,500. The totals by periods were: in the 15 months ending October 31st, 1918, $12,249.96; the year ending October 31st, 1919, $11,386.64; the year ending October 31st, 1920, $14,866.73; the year ending October 31st, 1921, $17,079.96; the year ending October 31st, 1922, $16,286.65; making a total for the whole period of $71,869.94.

TO COMMISSIONER R.A.ROSS:

Q. What does that average per year? A. $13,689.51.

There is one other question and that is as to whether in the proportion of the salaries of the executives charged on the books of the Hydro, it was also pro rated to the Ontario Power Company in addition to these sums.

G.T.CLARKSON.

TO THE CHAIRMAN:

Q. How is it your name is not on the list of those receiving additional salaries from the Ontario Power Company? A. I do not know but I got some.

Q. Is the auditing of these books part of the duties laid upon you by your engagements with the Government?

A. I do not know whether it is or is not, but I took the attitude, I think, probably about 1918, that the auditing of the Hydro was only partially complete unless it was conducted at the same time on the Ontario Power Company, and in view of that, I had a discussion about it with the Commission, and after arguing the question as to whether it was part of the Hydro audit or not, I was appointed to audit the Ontario Power Company by the directors or shareholders of the Ontario Power Company.

Q. Who are the shareholders? A. The Hydro Electric Power Commission. At the present time the Hydro Electric Power Commission is the sole shareholder represented by the members of the Commission and some of the officers of the Commission, until they get the whole of the capital stock, they were the majority shareholders.

Q. Now they have the whole of the capital stock?

A. They have the whole.

Q. How much stock is held by different members?

A. 50 shares each - just to qualify.

Q. Is every shareholder now a salaried officer of the Company? A. Yes, every shareholder except the Hydro Electric Power Commission.

Q. You were speaking of your arrangement? A. Yes, the arrangement was made that we should charge a fee. I arranged that with the Government and the Commission and we allocated a certain portion of it against the Ontario Power Company and charged the balance against the Commission.

Q. What do you receive altogether? A. We have been receiving $15,000 a year.

Q. Does that include all? A. That includes all; I have asked for an increase.

Q. You have no distinct allowance in connection with the Ontario Power? A. I take $2,500 out of the $15,000; that is $12,500 for the Commission and $2,500 for the Ontario Power Company.

Q. Is that fixed by the Government? A. No, the Commission fixed it with the approval of the Government.

Q. Did they pass an order-in-council approving?

A. I do not know whether they did or not; I am asking them to do it now, to revise the rate and increase it because it is costing us more than we are getting.

Q. It was submitted to the Government and approved?

A. Yes.

Q. Do you know why the same course was not followed by these others? A. Which?

Q. The amounts paid to the different officials of the Hydro? A. That is a matter of legal interpretation.

Q. No,it is a matter of why it was not done. It is a matter of legal interpretation as to whether the Ontario Power Company could make these allowances and you took legal advice on that and were advised that they had the right to do that? A. Yes, qua Ontario Power Company.

Q. We have no evidence it was ever submitted to the Government or approved by the Government? A. Talking technically I do not know anything in the Act that requires the Government to do so.

Q. I am asking whether it was done? A. Not to my knowledge.

Q. Your case was submitted to the Government,you say?

A. Put it this way: my remuneration as auditor was approved of by the Commission and approved of by the Government. I suppose they both left it to us to allocate it.

Q. The Government approved of your receiving a salary of $15,000? A. Not a salary.

Q. An allowance for your services? A. Yes,Sir.

Q. That is the total amount you have received?

A. That is so.

Q. You have not added to that a special grant from the Ontario Power which was not included? A. No.

Q. Would you mind letting us have these reports in which you make reference to the action of the company in voting these salaries? A. It is in our Ontario Power reports.

Q. Have you the first one in which you refer to it?

A. October 31st,1918,page 8: "The Board of Directors of the Ontario Power Company of Niagara Falls,consisting of

Sir Adam Beck,President; Mr.McNaught, Mr.Lucas,Mr.Pope, Mr.Gilmour and Mr.Pierdon,and of the Ontario Transmission consisting of Sir Adam Beck,Mr.McNaught,Mr.McInnes,Mr. Pope and Mr.Gilmour, all of whom with the exception of Mr.Gilmour and Col.McInnes are members or officials of the Hydro Electric Power Commission of Ontario, etc., - no remuneration is paid to the directors of the company for their services as such but the President,Secretary,Chief Engineer and Treasurer are each paid an annual salary by the Ontario Power Company".

Q. Did you make any comment as to whether it is correct or not? A. No.

Q. When did you submit the question to Mr.Kilmer?

A. At the time it came up.

Q. Did you get a written opinion from him? A. No,I did not; I discussed a good many questions with him.

Q. Did you write a letter asking him? A. No,I did not. I did it entirely verbally.

Q. When did you next refer to it? A. In the next volume, practically in the same words: "Officials so and so all of whom - no remuneration is paid to the directors of the company for their services as such but the President, Secretary,Chief Engineer and Treasurer are paid an annual salary by the Ontario Power Company". The next year I name them again and say: "All of whom are members or officers of the Hydro Electric Power Commission with the exception of the first and second Vice-Presidents, to whom a remuneration of $2,000 per annum is paid for their services as directors". That would be Mr.Lucas and Mr.Carmichael. "No remuneration is paid to the

directors of the Company for their services as such but the President, Secretary, Chief Engineer and Treasurer and Accountant are each paid an annual salary by the Ontario Power Company".

Q. If the directors of the Ontario Power Company were to have paid you $2,000 a year or $2,500 a year in addition to your $15,000, would you consider it proper to accept that without first receiving the approval of the Government? A. I do not know that I should answer a question like that.

Q. It is a direct question? A. The only money they could vote me would be payment for services as auditor and if they were to vote that, I think it would be strictly legal and strictly proper.

Q. You would take it without submitting it to the Government? A. No, the Government would know; I would not take it without their knowledge; I am appointed auditor of the Hydro Commission by the Government, and the Government would know what I got for it.

Q. You would think it proper, before accepting it, to have the approval of the Government? A. I would tell the Government.

Q. If they disapproved of it you would not take it?

A. I would not be allowed to.

Q. Does the Government know what salaries these men are getting?

MR. GUILFOYLE: It is published in the Public Accounts.

COMMISSIONER R.A. ROSS: So that they are aware

of it? A. Yes, they appear in last year's Public Accounts.

THE CHAIRMAN: Before that they did not appear?

A. They knew first from the fact that the Attorney-General was a member of the Board of the Ontario Power Company which approved of these salaries.

Q. The Attorney-General did not get anything out of it for a long time after the others did? A. Mr. Lucas was a member of the Board and approved of it.

Q. Are you satisfied the Government did know of it at the time? I am told they did not know anything about it at all? A. When you say Government, I suppose as a member of the Cabinet he would represent the Government.

Q. You think if one knows it they all know it?

A. I suppose if a member of the Cabinet knows it the Government is assumed to know it. Then when the new Government came in, yes, they knew it because the Cabinet discussed the matter with me.

Q. You mentioned it in your report? A. Some members of the Cabinet discussed the matter with me before that; almost immediately after the new Government came in.

Q. The resolution moved by Mr. Pope is dated October, 1917, you don't refer to it in your report of that year?

A. I refer to it in 1918 first.

Q. Would that be the accounts of 1917? A. The fifteen months started in August 1st, 1917, and the first period was October 31st, 1918.

Q. You refer to it in your first report? A. I refer to it in my first report.

TO COMMISSIONER R.A. ROSS:

Q. Getting down to commercial practice, Mr. Bonthron has

told us that the cost of this service by officials and directors of this company was $13,700 a year, what turnover did that company have during these years, roughly?

A. In 1922 it was three and a quarter millions.

Q. What percentage would that be of the total, do you think it would be excessive? A. Between one-third and one half of 1%.

Q. Had you access to the books of the company and could you tell us what the former directors and officials of that company were getting? A. No, Sir.

Q. Would it be less than that or more? A. I have no doubt in the world it was more.

Q. Very much? A. Very much more.

THE CHAIRMAN: There are no solicitors on that list as getting salaries; Mr. Pope is a lawyer but still he does not act as a lawyer; he is secretary.

MR. CLARKSON: When they desired to buy the Ontario Power Company they injected a section in the Act in 1917 authorizing the Power Commission to acquire and hold shares in any incorporated company carrying on business, and then at the same time they gave the Governor-in-Council power to guarantee the bonds. That means that these undertakings were bought by the bonds of the Commission guaranteed by the Province, but it does not say who the property purchased belonged to specifically, whether it belonged to the Hydro Commission as a general floating asset or whether it belonged specifically to the municipalities to whom the power was supplied by the company purchased, or who it was bought for. The Niagara System, we knew definitely,

was the municipalities' but as to the Ontario Power Company, nothing was said about it. As far as the sinking funds are concerned, the Act reads this way: (that is with regard to the price to be charged for power to Hydro Municipal Systems) "The sinking fund shall be an annual sum sufficient to form in 50 years at 4% a sinking fund for repayment of the advances made by Ontario". There was no advance made to purchase the Ontario Power Company; all that was done was that the guarantee was given.

Q. Some money was borrowed from the bank? A. Not at that time. These sections were interjected into the Act giving power to buy the capital stock and power to the Government to guarantee the debentures that the Commission should issue in payment for the stock, that immediately raised the question in our minds: "How was that purchased? Who was it owned by? Is it part of the works of the Commission or not?" I took advice upon it and was advised that the Commission must have purchased it in trust for somebody and that it would naturally follow that that was the Niagara System, and therefore, the Niagara System would probably be the owner eventually of that undertaking when it was paid for. If a deficit was made in the operation of the Company, nobody was liable unless there was a distinct chain indicating for a certainty that the Niagara System was the owner of that through the Commission.

Then I took up the question of salaries and I was told that even though the shares of the total capital stock of that company wase held by the Commission as trustees, they acting as trustees were entitled to be

remunerated for their services in that connection, and therefore any salaries voted were absolutely legal.

Q. That is what Mr. Kilmar told you? A. Yes, the view I had in my mind was exactly what you have raised as to whether they held the undertaking as trustee for somebody and were justified legally in taking salary, and I was told yes, that was the legal situation. Now, we carried along in that way for a couple of years and the Ontario Power Company and the Commission was under no obligation to put by a sinking fund to pay these bonds; there was nothing in the Act requiring it. For a time they met with some excessive costs in connection with the contract of the Toronto Power Company and they did not earn enough money to put up their renewal fund, therefore, it could not be put up, but when some of these difficulties cleared out of the way, I took the question up with the Government and with the Commission. I said, "Now, you are supposed to be operating on a cost basis; there is nothing in the Act here which requires you to operate the Ontario Power Company on a cost basis, but this thing ought to be brought into line and you ought to put the Ontario Power Company on the same footing as you put any other system". I discussed that with the Commission and they agreed to do what I said, and the result is that in 1921 they swept the thing around completely and charged a sinking fund into the cost of operation in anticipation of the Government changing the Act so as to make purchases of this kind a purchase for the Niagara System.

TO COMMISSIONER R.A.ROSS:

Q. Did you make that retroactive? A. No, there was no use

doing it; they had in two prior years excessive cost and had no money so what was the use of breaking the camel's back? This account in 1921 is prepared on the same basis.

Q. That is the account for 1922? A. Yes, and I think the Act should be amended to agree with that, and I have not any doubt the Government will do it; they did not do it last year, but I hope they will do it at this session; that is the situation.

TO COMMISSIONER J.A.ROSS:

Q. Would not a clear cut way to do that be to raise the salaries of the officers of the Hydro Electric Power Commission, if they were not getting enough? Having a full appreciation of what Mr.Ross says about a business of three and a half millions being run with a $13,700 executive - that is ridiculous?

Q. There is a principle involved in the situation that everybody recognizes, in the alternative where a company is purchased, a lot of extra work is going to be thrown on these officers.

TO THE CHAIRMAN:

Q. What about the Chippawa Canal? A. That is operated under a separate Act.

Q. So far as working goes, the Ontario Power Company is infinitesimal as compared with the work at Chippawa?

A. In operating.

Q. I should say construction and operation?

A. Construction, yes, absolutely. They should either do it one way or another.

Q. It might be the Government pay them salaries that are too small but it seems to me that if they are in the

employ of the Government and they want more, they should go to the Government and ask them to fix it.

COMMISSIONER R.A.ROSS: Don't you think the Government welcomes this way of doing things; their business is to cut down salaries and I should think this was a very welcome outlet to the Government.

THE CHAIRMAN: Without letting the Government know what they were doing?

COMMISSIONER R.A.ROSS: Why, yes, they don't want to know about these things.

MR.CLARKSON: Cold bloodedly there is a great deal in what you say, but the only thing about it is the question of whether the Board of Directors of the Ontario Power Company should be allowed to vote such salaries to these officials as they see fit. You want to make that subject to approval by order-in-council. You have to recognize that the difficulty in a great many of these public ownership concerns is that you are trying to reduce salaries and expect to get officials of the highest class, and you cannot do that; that is elementary.

TO COMMISSIONER J.A.ROSS:

Q. The weakness in the officials of the Ontario Power Company drawing salaries is in the very fact that they are the governors of their own acts; they are the ones who set the salaries; whereas in the Hydro Electric Power Commission, the salaries are set for them?

A. What I say about that is you can provide, if you desire, that where the shares are held by the Hydro Electric Power Commission, that in this way, the Government can approve of the payment of salaries by an order-in-council.

THE CHAIRMAN: If they did that, there would be no question about it? A. I appreciate the point.

Q. I think there might be some grounds for questioning the soundness of that opinion you got from Mr.Kilmar; I think you will find there are some lawyers who would differ from him? A. I took it up with him; I was given permission to consult him on another matter in connection with the audit.

Q. There is no doubt he is a good man? A. He was very emphatic about it, and I have a great deal of confidence in him.

Q. So would I? A. He knew just exactly what was worrying me about the situation, and he knew the complicated condition, and he said he thought it was perfectly legal and perfectly right. So far as the other part of the case was concerned, it was laid on the table and known.

Q. Can you give us the operating account for 1922?

A. Mr.Guilfoyle can discuss that better than I can. There is another point I want to make, there was that loss of these units over there.

Q. That is loss by power? A. There was the physical loss and the cost of power in the meantime that goes into the operating account. There was $97,000 expended on repairs and $33,000 was charged to operation, and $64,000 against the renewal fund. As far as the loss of power is concerned, it is all charged in here. What I think will have to be done, there is the third pipe line operating partially; it is subject to agreement, and it has got to be torn up, if necessary, within a limited time.

I think for the future I would absolutely ignore renewals on that pipe line and just simply provide interest,and costs have got to be charged to operation and also sinking fund to amortize it over 30 years,and then you have to wipe it all out.

TO COMMISSIONER J.A.ROSS:

Q. Is it not a weakness to have a pipe line temporarily, and as Mr.Pope said the right to leave the pipe line there is in the hands of the Queen Victoria Park Commission. You have established a thirty year sinking fund and yet that pipe line was built on a five year permit or license,. and the only thing you have got is a verbal agreement. Is not that rather a nebulous arrangement? A. I would take it on this basis,having spent three and a half millions on that pipe line,you have got to repay it. The generators are largely destroyed; they may be able to recover the loss from the Canadian General or they may not; they will probably take action to recover but there is the pipe line and it is absolutely out of the question to write $700,000 or $800,000 a year off against this undertaking as operating costs or anything else; but they are now paying interest on that cost of $210,000 a year as part of the cost of operation, and they are providing a sinking fund that will wipe the thing out at the end of 30 years. It does not matter whether the pipe line disappears or does not,in five,ten,fifteen or twenty years;if they lose it tomorrow all right,it is gone,but it is wiped out over a period of thirty years. That is the only way to deal with it.

TO COMMISSIONER R.A.ROSS:

Q. That pipe line will have to be removed?

A. Some time or other.

Q. Do you think it will ever be removed? A. No,I think the Commissioners of the Park over there will do whatever is best to be done in the interest of the Hydro Commission and the municipalities. If it is best to leave it there, they will leave it.

Q. Do you remember what trouble there was putting it down,tearing up the park and disarranging everything; why should they want that done over again? A. I do not think they will want that done at all unless some very pressing reason comes up; that is not on the surface today.

Q. It will always remain there? A. I do not think the Park Commissioners will order its removal until such time as the Province and the Commission are willing to remove it. On the other hand if it were removed tomorrow or if it was left there for 15 years,I do not think it will make any difference as far as the Ontario Power Company is concerned.

Q. Why should you treat that any differently than any of the other pipe lines; it still remains as a feeder for the other units? A. Yes.

Q. Further than that,these units will be shut down and left just in the same condition as far as turning out current,as No.15 and 16; have not you got all your eggs in one basket there,and the mere destruction of that one section of that plant does not make a great deal of difference because it will inevitably be shut down,due to

water conditions,and you will have to treat this in the same way as the other? A.We are treating it in the same way; in other words,we are putting up a sinking fund in respect of the whole cost,and we are setting up a renewal fund,the only thing as far as the third pipe line is concerned,part of it was destroyed and we would cease putting up a renewal fund and the only thing that will have to be done in connection with it will be maintenance charge,and we are dealing absolutely the same with this as with the rest of the plant except that one point.

Q. Is not the period for which you set up your sinking fund for this shorter than for the ordinary? A. 37 years now.

TO THE CHAIRMAN:

Q. You have no pipe line just like this? A. The way I look at it is this: I do not think it makes much difference.

Q. It is a wooden pipe line,and it should have a sinking fund for a shorter period than for an iron,steel or concrete pipe line? A. If this pipe line went out tomorrow,we would look upon it as an expense to be amortized for 30 years.

MR.GUILFOYLE: An advance by the Province to be met in 30 years? A. The investment in this is represented by an advance by the Province.

TO COMMISSIONER J.A.ROSS:

Q. Why should not you establish a sinking fund for 15 years? A. They cannot stand it.

Q. Charge it in the cost of power? A.As far as this sinking fund business goes,a great deal of importance has been

attached to the question of whether it is to be 25 or 30 years. To my mind,it does not make any difference and I would make it 40 or 50 years. The Province is not bound to get this money back in thirty years. It would be just as well if they got it back in 40 years,and I feel the sinking fund is perfectly all right to be left at 30 years. I do not know why the Chippawa investment should be paid back in 30 years; nobody would be hurt if it was made 50 years. I look at it purely from an economical standpoint.

TO COMMISSIONER R.A.ROSS:

Q. Your sinking fund is established in order to enable the municipalities in the system to acquire an equity in the plant which will finally be theirs? A. Yes,Sir.

Q. If you put a short term sinking fund you are making the present power users absorb the whole cost of that,and it will eventually be the property of the whole community? A. Yes.

Q. Your idea is to spread it over so they will not acquire the property quite so soon,but the cost of power will be distributed during that length of time and will be less? A. I put it in this way: the Government has got to get the money back,and if you charge a reasonable price for power to the present generation,you can build up a sinking fund which will repay this capital in 30 years,that will be all right,but if you have to charge abnormal prices or excessive prices for power to get this paid back in 30 years,I would rather pay it back in 40 years.

TO THE CHAIRMAN:

Q. Surely there is a distinction between a sinking fund for an undertaking in actual operation and if its purposes are served in five years; I think there is some strong reason why you should not set up a sinking fund for 30 years; you are simply making posterity pay the bill instead of those for whom it was created? A. This was for war time work; it has to be looked upon as war time work; that is why there are these peculiar conditions and costs attached to it. It is absolutely impossible to wipe out three and a half million in a short time.

Q. Take it out of war time profits? A. There are no profits here.

TO COMMISSIONER J.A.ROSS:

Q. I think there are two sides to that argument?

A. The only practical basis for dealing with this pipe line is to wipe it out over 30 years.

Q. It is not comparable to the canal? A. No.

Q. You have an everlasting construction in the canal as against a wooden pipe line? A. I quite agree with you there.

Q. Does not that factor enter into it? A. No,you spent three and a half millions of money and now you have to pay it back; I am thinking in money only.

TO COMMISSIONER R.A.ROSS:

Q. If you want to put it into anything,put it into depreciation allowance rather than sinking fund. If it has depreciated say so in your books? A. Supposing after the destruction of these two units,they do not use the pipe line any more than to the extent of 50%, they

have to pay the cost back,how is the best way to do it? You cannot charge three and a half million now; I am looking at it from a business standpoint.

MR.GUILFOYLE: In the meantime you have completely lost the revenue from two units which is some load to carry on the others.

TO THE CHAIRMAN:

Q. What does the balance sheet show for 1922, a profit or a loss? A.Carried forward in the beginning $59,000 surplus and carried forward at the end of the year $75,000 surplus; that is after putting up $100,000 of a sinking fund.

Q. Your statement is different from Mr.Bonthron's?

A. No,he gave a statement for 1922.

Q. In 1921 he gave a deficit? A. What Mr.Bonthron says is that in two years there is no renewal fund to put up and I quite agree with him. That is stated in our report that they were not putting up in these years a renewal fund because they had not the money to put it up. I ignore that and just simply leave it out in 1921 and 1922. The Ontario Power Company could not make a profit or less; it had certain operating costs and certain interest, and a certain number of fixed charges amounting to so many million dollars,and it had so much revenue from the sale of power,and the Niagara system took the balance of the power at the balance of the cost,so they neither had a profit nor a loss. In 1921 Mr.Bonthron mentioned $255,000 or a loss. We in that year had to adjust the period to the date of October 31st,1921,and we charged the Niagara System

sufficient for the power. It got together with the unused balance of the reserve in there of $193,000 and $65,000, and we used that to wipe out the loss Mr.Bonthron spoke of, and made the Niagara System pay sufficient for the balance of the power to practically make it strike even. That is what we would call breaking down that $59,000. We make the Niagara System pay for its power such an exact sum as will meet the cost. Putting it on a strictly Hydro footing and doing that in anticipation of the Act being amended, that is the only proper system to operate on.

Q. Did you take into account the accident? A. No, Sir, - hold on a minute, we did; we charged $33,000 in the operating expenses in respect of that accident, and $64,000 against renewal reserve. We did not deal with it for this reason: that if they can recover against the Canadian General Electric all right, and if they cannot the whole cost of three and a half million has to be wiped out by a sinking fund for 30 years.

Q. Are they making a claim against the Canadian General Electric?

MR.POPE: We have not as yet, we have notified them that we hold them responsible.

Q. Mr.Francis has seen all the material you have?

MR.POPE: I presume so.

MR.CLARKSON: You raised the question this morning about tangibles and intangibles; I want to make it clear to you that we did try to get the books of the Ontario Power Company.

TO THE CHAIRMAN:

Q. Did you fix the amount of the loss from that accident?

A. No, we have not fixed it at all. There is $97,000 that has been expended in repairs and renovation and we have written off $33,000 against that. At the time of the purchase we did try to get the books of the old Ontario Power Company, and we could not get them but we did get hold of some of their trial balances, and these figures mentioned in our report are taken from these trial balances.

Mr. Bonthron said the plant value of the physical assets was practically covered by the bonds, that is true. Here is the situation on the $15,000,000 bonds, there was $1,700,000 discount, so that the cash that came from these bonds was only $13,800,000 as against which the plant was $14,700,000, a difference of about $870,000; that was represented to a very large extent by notes the Company had discounted and which Albright himself paid off at the time of the purchase. I think these are the only points.

TO THE CHAIRMAN:

Q. From now on, the power will be sold at cost to the Niagara System? A. It was last year and it will this year. I want to have the Act amended because we are up in the aid now and nobody knows where we are at. There is the Toronto Power Company on exactly the same footing; there is the Toronto Power, the Toronto Niagara Power and the Electrical Development, and the Act ought to be amended so as to bring them in.

THE CHAIRMAN: Who are the directors of the Toronto Power Company?

MR. POPE: Some companies have five directors,

and some seven and some nine.

Q. Who are the directors?

MR.POPE: Composed of officers and some of the Hydro Commission.

Q. Any salaries voted them?

MR.POPE: No,no salary on anything except the Ontario Power.

Q. You have just as much right to vote them in these?

A. They are modest.

Q. You have a number of companies down there?

MR.POPE: We do not get one dollar out of it.

TO THE CHAIRMAN:

Q. Do you know what the loss is on these contracts where they are selling power at $12.50? A. No,but it could be worked out.

MR.GUILFOYLE: I do not know but I know the Niagara System pays considerably more than these rates; it would be possible to work it out.

MR.POPE: We have some off peak loads in connection with the Lockport Company.

MR.CLARKSON: We are working out the cost of power now,and we are also putting up a sinking fund in connection with the pipe line,all of which were not elements of cost at the time the contracts were entered into.

MR.GUILFOYLE: I do not know how we could determine whether or not a contract is a paying or a losing contract.

TO COMMISSIONER R.A.ROSS:

Q. You would have to know the generating cost and then add to that the transmission cost and when you begin to treat operating cost on a separate basis, you will get

into a horrible tangle.

THE CHAIRMAN: Don't you deliver power at the same point? A. No, there is a number of transmission lines.

COMMISSIONER R.A.ROSS: They fit into the same lines with the new Chippawa plant and it is pretty hard to disentangle the cost; you have got interchange of rates and diversity and everything else and that will all have to be brought out when we are dealing with the Niagara System as a whole.

THE CHAIRMAN: We will adjourn until 11 o'clock tomorrow so as to give Sir Adam Beck and Mr.Gaby time to get here.

---Adjourned at 5 P.M. until 11 A.M. tomorrow.

---Toronto, December 22nd, 1922, 11 A.M. RESUMED.

P r e s e n t:

W.D.GREGORY, Esq., Chairman,
M.J.HANEY, Esq., Commissioner.
R.A.ROSS, Esq., Commissioner,
J.A.ROSS, Esq., Commissioner,
J.H.W.POWER, Secretary.

F.A.GABY.

TO THE CHAIRMAN:

Q. This inquiry relates to the Ontario Power Company with which, I suppose, you are fully familiar; why was the Ontario Power Company purchased? Would that be under your Department? A. I would not like to say; I do not suppose I know all the reasons. Some of the principal reasons were on account of the necessity for additional

power in the Niagara District. The difficulties we had with the Company as far as continuous operation is concerned, of that plant to serve the contract under which they were to deliver power to the municipalities and in order to get a better service,more continuative operation from that company; because they had been operating it in their own way,which they thought was in accordance with the terms of the contract and we did not; and also other reasons in connection with the Queenston-Chippawa matter. They had certain rights,which was a matter of contention as far as diversion of water from the Welland River was concerned; that was another matter under consideration at the time.

Q. I do not understand with reference to the Welland River? A.They had been paying additional fifteen thousand odd dollars a year rental to the Queen Victoria Park Commission which they claimed was for the purpose of maintaining their franchise rights of diversion of water on the Welland River.

TO COMMISSIONER HANEY:

Q. On the Welland River? A. Yes,the right to take the Niagara waters up the Welland,and they bought the necessary right of way for the purpose of constructing a canal to get a greater head and divert the water from the Welland River. That was one of the claims they had as far as franchise rights are concerned.

Q. Where would they use that water? A. They had the right to use it at the Falls or probably any other location.

Q. How did they intend taking it to the Falls?

A. By canal through the excarpement.

Q. Somewhere near where the Ontario Power plant is located? A. Yes. If you look at the plant of the Ontario Power Company you will see the lands they purchased for the purpose of building the development, and they continued to pay money which they claim was to continue such charter or franchise rights.

Q. Would it be near where their present plant is located?

A. Maybe three or any other location that might be approved at some later date. That was their claim.

TO THE CHAIRMAN:

Q. They had the right to bring that across the park?

A. Yes, that was the reason they were spending that $15,000 a year, that was their claim. I do not know if the Park Commission would agree to that but that was the claim they made and I think you will find that in the little gray book they had printed.

Q. Who had? A. The old Ontario Power Company.

Q. You have it, I suppose? A. Yes, we have copies of it.

TO COMMISSIONER HANEY:

Q. How would they get across the park from the Welland River? A. It would be by pipe line, probably they would have a Forebay at the top of the escarpement and use a pipe line from that point to the powerhouse.

Q. What would have been the distance to the top of the escarpement above the park from the Welland River?

A. Two or three or more miles.

Q. As near as that? A. Yes, it is not very far.

Q. They bought a right of way? A. The right of way is now owned by the Hydro Electric Power Commission; they bought six or seven hundred acres.

Q. The elevation of that escarpement is about the same as it is at Lundy's Lane? A. Yes, about the same, a little bit higher at Lundy's Lane.

Q. It would be higher at Lundy's Lane? A. Yes, a little higher. It is up where the old tank used to be. That is one of the original schemes and they tried to maintain that by their actions in connection with paying rental. In other words they paid more rental than any other company at Niagara Falls; they always paid an additional $15,000.

Q. Was that $15,000 allotted directly to maintain their rights? A. That is what they claimed. That was their claim in connection with it.

Q. Was there a written agreement between the Park Commission and the Power Company? A.At one time there was and then they made a certain change and had a different type of development,but they maintain that did not change their rights.

Q. Have you that right yet? A. We have all the rights that the company had.

Q. Does the Park Commission acknowledge that you have that right? A. I do not know that the matter has been dealt with thoroughly by the Commission. We have built the Chippawa and we have no more interest except we have claims that might result in the future.

Q. You have no intention of exercising it? A.No,because we believe the scheme we have is much better than the proposition they have.

Q. What will you do with this 600 or 700 acres of land?

A. It is excellent property for disposal for factory sites.

Q. It runs across country? A. It is three whole farms.

Q. Rented by you? A. In part, not in whole. In part it is rented to outside parties for famr purposes and it is for sale as far as the Commission is concerned.

Q. It forms part of the assets of the Ontario Power Company?

A. Forms part of the assets of the Ontario Power Company. Operating conditions, of course, were one of the things that we had to contend with at that time. You can quite appreciate when you have a concern that is dealing with you in a way, delivering a certain amount of power under contract and limiting that, the dispute is on as to the manner in which they should supply that power. In other words we could not get as good operation from the purchase of 100,000 h.p. as we could from owning the whole generating plant and operating in the best interest of all the parties.

Q. You had a contract with them? A. We had.

Q. Fixing their liabilities and your rights in the matter?

A. Of course there was a difference of opinion as to what that meant.

Q. What was the extent of the power you were entitled to under your agreement? A. 100,000 h.p.

Q. At what price? A. $9 per h.p.

Q. For how long was that to run? A. It extended over a period of about up to 1950, some 30 years, until such time as they had a renewal.

Q. Could you have obtained more than 100,000 h.p.?

A. No.

Q. What did they produce there? A. They were producing up to about 165,000 or 169,000 h.p. The Commission

increased that and we are able to produce 195,000 to 200,000 h.p. by the extension of the power house and putting in No.15 and 16 units. They claimed they had the right to use all the water that the three conduit pipes would carry, and that would have enabled them, if their claim had been sustained, to have generated maybe up to 240,000 h.p. That is, they claimed they could get out of each of these pipe lines at least 80,000 h.p., although the Commission maintained and the Government maintained that they only had the right to 180,000 h.p. in view of a certain statement made by the previous managers of the corporation.

Q. That was a very valuable contract to get 100,000 for such a long period at $9? A. Yes, but taking into consideration the value of that property, we considered that contract was still being maintained at $9 per h.p. in valuing the assets and property of the company.

Q. What is it costing you now? A. Prices have increased; our cost of operation has increased since 1917; the additional expense of the 40,000 h.p. has also increased. I would not like to say, off hand, without going into an analysis of the situation what it did cost under the conditions under which the old company were operating.

Q. Under present conditions? A. Last year our average cost although we were buying power at $18 to $20, averaging about $12.50 or $12.60 per h.p.; that is including our $18, $12 and $20 h.p. cost for purchased power.

Q. You are not purchasing any power now? A. Yes, 30,000 horsepower.

Q. From whom? A. From the Canadian Niagara Power Company.

Q. Someone told us you had ceased taking power?

A. No, not yet.

Q. What are you paying for that? A. $12 a h.p.

Q. Are you likely to need it much longer? A. Well, the situation today, due to the development of the Ontario Power Company, the Electric Development Company and the Queenston Chippawa Development is that we have no spare equipment except one machine on the electric Development Company. We are operating to full capacity all the plants including the Queenston and Chippawa load carried on the four machines amounting to 220,000 today. About 165,000 or 170,000 of the Ontario Power Company and as high as 135,000 with the Electrical Development Company, and in addition to that we are obtaining 30,000 h.p. from the Canadian Niagara Power Company.

Q. If you find you are not able to supply the demand yourself you will continue to purchase? A. That will probably be the policy of the Commission.

Q. You have the right to? A. That I am not in a position to say, that is a matter for the Commission to deal with and I think there is some discussion on in connection with it at the present time.

TO COMMISSIONER R.A.ROSS:

Q. What is your total output? A. About 540,000 h.p.

Q. What from the Ontario Power Company? A. About 165,000 or 175,000 h.p.

Q. What other difficulties were there in the way of your continuing your contract or what disabilities were you under to taking it by purchase, instead of owing the

the plant? A. I have discussed the manner in which it was delivered to us; it was unsatisfactory; it might have been within the limits of the contract but with the statement as submitted to us it was a proposition which would carry itself, and in a period of years pay for the plant and then the municipalities and the Commission would own it and have the advantage of additional dewelopment.

Q. How much power were you taking from them when you bought it? A. 100,000 h.p. and they were restricting it to the interpretation that they put on the contract which meant that we were probably only getting out of the 100,000 some 92,000 or 93,000 h.p.

Q. Were there many interruptions? A. Yes, their manner of operating was very unsatisfactory to us and the manner in which they cut us down, and one thing and another. It is very difficult to restrict yourself to a momentary peak, because you have so many customers over which you have not proper control and the limit they put it on was really an absolute impossible operating condition. When they said that we could not exceed 100,000 h.p. or a momentary peak, or if we did we were liable to be cut off; in other words 100,000 h.p. was cut down to 92,000 h.p. It was a matter of interpretation of the contract.

Q. At the present time you are selling power under contracts made before you took the Ontario Power Company over? A. Yes, Sir.

Q. That is the Niagara Lockport and the Cyanamid Company?

A. Yes, and a number of other companies.

Q. What are you getting from them? A. It varies; in the case of the Niagara Lockport, they had a contract extending to the year 2010, a large contract at $12.50. Under the purchase agreement we cut 60 years off that contract. In other words, it terminates in 1950 instead of 2010; it is still at $12.50. During the period of the war as part of the purchase price, they were reduced by 10,000 h.p. It was a considerable advantage to the Commission from that period up to the latter part of 1920, that was one of the terms of the purchase. The Cyanamid Company have a few years to run yet, and they are getting power at a price of $10.50, but it is not $10.50 on the same terms and measurement as power delivered to an ordinary customer of the Commission because they pay for 26,000 h.p. whether they get it or not; that is we get continual payment for 26,000 h.p. and there is no leeway.

Q. You have to reserve 26,000 h.p. for them?

A. We have, but during the period they are not using it is possible to sell that power to other concerns; they are now using more than 26,000 h.p., but during the last two years for the greater period of that time they had been using down to 12,000, 13,000, 14,000 and 15,000 h.p. and paying continually for 26,000 h.p.

Q. What is the other one? A. That is a different type of contract; they have a minimum of 40,000 h.p. which they pay for on a straight flat rate. All they take over that amount up to 20,000 kilowatts, that means up to 60,000 h.p., they pay for on a flat rate and between that and 45,000 kilowatts they pay on a consumption rate.

Q. What do they pay? A. 2¢ a kilowatt.

Q. What do they pay for the original amount?

A. It amounts to about $12.50 a h.p. or $16.75 a kilowatt, that is the way it is put in the contract.

Q. Do you regard it as a profitable contract?

A. Under the old arrangement when that contract was made it was a profitable contract; today I will say that it is about the average cost of the development under old conditions.

Q. What about present conditions? A. I would not like to say off hand.

Q. It is lower than the cost under present conditions?

A. No, I do not think so because our average cost was about $12.50 including $18 and $19 power. In order to answer that question accurately and carefully I would have to investigate and analyze the plant.

Q. That you have not done? A. No, I have not done that; it is all in one proposition; they are together.

TO COMMISSIONER HANEY:

Q. From whom do you buy $20 power? A. From the Niagara Falls Power Company on the American side.

Q. What quantity do you buy? A. We bought up to 30,000 or 40,000 h.p.

Q. Have you an arrangement with them whereby you can get it at any time? A. No, it was only surplus power they had available fortunately during the last few years; today they have not; they are short of power themselves.

Q. At the time you bought the Ontario Power Company, on what conditions did you purchase from others?

A. We had an arrangement with the Canadian Niagara Power Company by which they were delivering us 50,000 h.p. at $12 per h.p.

Q. Any others? A. At that time the Power controller was in office and surplus power was being delivered from the Lockport Power Company to us up to the extent of 25,000 h.p.

Q. What did you pay for that? A. It varied. There were contracts in existence at the time and up to sometime in 1920, and part of it was $15 a h.p. and then we paid under arbitration proceedings somewhere around $20 for a certain amount of that power; that was decided by Judge Cassells at Ottawa. I believe before he gave his award there was a final adjustment between the parties.

Q. Were these all from whom you were purchasing at the time? A. As far as the Niagara System is concerned, it was the only power available; there was no more power there.

Q. Did you investigate before you made the purchase and value all the assets of the Ontario Power Company?

A. Our investigations started as early as 1914. I mean there had been from 1914 to 1917 discussions by the Commissioners and representatives of the Ontario Power Company with reference to the purchase of that plant, that continued for these years and up to the date of the purchase.

Q. You made a valuation? A. We did not; we did not make an actual physical valuation because we had an inventory valuation submitted to us of all their properties; in other words, the actual cost to them. We had accepted their inventory. It was a small property and we knew the situation. We had inspected it and we knew practically the details of the valuation, and had a pretty close approx-

imation and we got the detailed information from them.

Q. You have that inventory now? A. Yes.

Q. That would show just what value they put on it?

A. It shows the actual cost and contracts and loans they had and discounts on bonds and everything.

Q. I am thinking more of the physical assets?

A. It shows what they paid for the properties; I believe you have that history. You have the details of it. If you have not your officials have been in the office and have seen it.

Q. Were you satisfied with the price that was paid, that it was a fair price? A. Yes.

TO THE CHAIRMAN:

Q. I see apparently, Mr. Gaby, from your files, and you can tell me whether it is correct or not, that the physical value of the property of the Ontario Power Company and the Ontario Transmission Company to December 1st, 1915, was $14,908,000? A. That is the actual money that might have been put into this would probably be somewhere in that neighborhood.

Q. I think it was given to us as the value at that time; it may have been the actual cost? A. The actual cost to them.

Q. I thought it was the value? A. No, I do not know what value they put on it. The actual book valuation they had on their books was $25,000,000 or $26,000,000.

Q. Not according to the accountants? A. I think you will find that is correct, that is the book valuation, not the physical valuation, but the book value that they held

as the value of their property.

Q. They had their bonds and stock of about $25,000,000?

A. Yes,I believe certain bonds and a great deal of stock was given with the bonds and also given to the contractors as part of their price.

Q. That included tangibles and intangibles? A. Included both.

Q. The tangible values were somewhere between $14,000,000 and $15,000,000? A. That I cannot say definitely; all depends on what you mean by tangibles.

Q. That would appear in the inventory? A. Yes.

Q. Did you make a written report yourself to the Commission at the time of the purchase,as to the values?

A. I believe certain reports were made and also by counsel and so forth.

Q. Did you have some engineers report on it before you concluded the purchase? A. Yes.

Q. Do you recall who they were? A. They would do it only in parts; for instance the Hydraulic Department would probably report and the Electric Department would report on their part and then it would probably be combined by myself and another department would report on the contracts that were in existence at the time.

Q. Having all these reports before you,you would make a report? A. Yes,I would make a report to the Commission.

Q. Did you make some extensions and additions to the plant after the purchase? A. Yes.

Q. What? A.We installed approximately what we call 40,000 h.p. equipment,that is two generators and a wood stave pipe line.

Q. Which was put in under agreement with the Park Commission for a period of five years; how does that stand now; is your five years up? A. Shortly,yes, very nearly up.

Q. What are you going to do then? A. That I do not know; it is a matter for the Commission to determine as to what will be done.

Q. Is the pipe line in good condition? A. Fairly good condition,yes.

Q. What will its probable life be? A.Well,as a pipe line I should say probably fifteen or twenty years from the first. Certain parts will have a much shorter life, but taking it as a whole it is of great value as far as a pipe line is concerned, because it increases the possible capacity of that plant and gives a better head. In other words when we are operating,we can generate probably 20,000 h.p. more with that pipe line in than without it.

Q. With your present plant? A. With out present plant, because it increases the head on our turbines and gives us better operation.

Q. That seems a large increase? A. It is,but that is the actual condition. Of course we estimated that because we started operating our plant long before the additional generators and turbines were ready for operation,we operated the wood stave pipe line and it gave us 15,000 to 20,000 h.p. additional from its increased head and efficiency in water transmission. There is always resistance in transmission of water the same as in the

transmission of electric energy and this pipe line increased our head and increased the capacity of the plant.

Q. You would hardly increase the pipe line without putting in additional generators? A. That is a question of economics.

Q. It might possibly be a saving if you did not put in the generators? A. Of course I would not have put in the additional expenditure, but as a pipe line it increased the capacity of that plant by increasing the head and would have been of great service in that way alone.

Q. Is there a special penstock for this pipe line?

A. There are two penstocks, one going into the other and all we would have to do would be to make the connection between this and the other pipe line without making any extra excavation into the power house, which of course costs money.

Q. You had to do that because you had the generators there and this was to serve these generators? A. Yes.

Q. What was the estimate made of the cost of the pipe line? A. It was made by the Hydraulic Department under certain conditions in 1917, under certain conditions and under certain quantities and material and certain unit prices that could be obtained at that time. These unit prices were materially increased, labor prices went up and we had to pay more than we could have got labor for in 1917, labor prices went up 25% or more; the conditions were very bad as far as labor is concerned, as you will remember we had a very difficult proposition in 1918 and 1919.

Q. What is the difference between the estimate made and the actual cost? A. That I could not tell you off hand. I would have to look into it but I do know that the quantities of material that entered into it and the quantities for excavations are almost identical with the estimate as prepared.

Q. The prices are not? A. On account of the increase in cost of labor and materials.

Q. I supposed it was going up all the time?

A. From 1917 to 1920 labor increased in that district to 34% on the average; that is taking all classes of labor and materials into consideration

TO COMMISSIONER HANLEY:

Q. When did you finish this work? A. Sometime in 1919 or 1920; part of the conduit was finished in 1919; it was not ready for operation until sometime in 1920.

TO THE CHAIRMAN:

Q. Your estimate was $1,800,000 and the actual cost was between three and four million? A. I would like to say there, certain things might have been done in that that you would have to eliminate as far as the actual cost is concerned.

Q. There may have been some contracts not included in the estimate? A. Yes, I would have to analyze that.

Q. I wish you would do that? A. Yes, it can be done.

TO COMMISSIONER HANLEY:

Q. Would the original estimate include generators and turbines? A. As a matter of fact there was very little increase in the cost of the generators and turbines.

Q. The estimate includes all these things? A. Yes.

TO THE CHAIRMAN:

Q. So far as the turbines and generators were concerned you could have placed your order at that time and would know exactly what they would cost you? A. Yes.

Q. There would not be any increase in their price?

A. That is a comparatively small item in the cost of the development.

Q. From your records which have been submitted to us, the total cost was $3,515,094.95, that is $1,709,000 in excess of the estimate? A. I would have to analyze that before I could say whether that is so or not; I do not think it would be very difficult to analyze the situation.

Q. Perhaps you can give us an analysis of it to show how that was? A. Yes, we could give you an analysis and the reason why there was an increase; it would be the increased labor and material.

TO COMMISSIONER R.A.ROSS:

Q. You purchased the Ontario Power Company as a going concern? A. Yes.

Q. The cost of the physical property was given as $13,000,000 or $14,000,000? A. Yes.

Q. If these prices were right and if that money was paid for this physical property at the time it was installed, what would you have had to pay if you had taken it over on a physical valuation at the time you did? A. If we had taken it over on a physical valuation at the time we did in 1917 I would say we would have had to pay from $20,000,000 to $25,000,000 for the property, if not more; I mean to reproduce it in 1917 would have cost us probably $20,000,000 to $25,000,000.

TO THE CHAIRMAN:

Q. That is a rough estimate? A. Yes, I am trying to get percentage increases in labor.

TO COMMISSIONER R.A.ROSS:

Q. You took over that plant very largely because you wanted a greater flexibility in your operation? A. That was one of the principal reasons.

Q. You could throw that in parallel or take it out of parallel and do as you like with the surplus power and get the advantage of diversity, which you had not before?

A. Yes.

Q. And you would get operating conditions which would enable you to throw the load from one plant to another establishment in time of trouble? A. Yes, and to operate it with load factors and power factors on very much better conditions; as far as the plant was concerned, the actual result of operation was materially better. We had conditions there that were unsatisfactory for operation. During the time that we got 100,000 horsepower from the company we would be put on a certain set of generators and we could not regulate our voltage, and we were simply there fixed under certain conditions and could not give satisfactory operation to the municipalities. We had interruptions on that account. As soon as we got control ourselves, we were able to operate to our own satisfaction. In case of an interruption on the system, it would take us considerable time operating under two controls to get things co-ordinated and to get them back into operating conditions. They would ask a lot of questions before they would start to put the load on, and the result

was long delays, but when we had control of the whole thing, circuits would be immediately put back into operation and that eliminated these long delays. In the case of an opening of a switch on account of overload or something of that kind, the service would be immediately restored; while under the old system of buying power, it took sometime before they got the service restored, and that was very unsatisfactory. Although that was not included as part of the values, yet it meant considerable intangible value to the Commission to be able to control the generating plant from which they obtained the majority of the power; they were operating under the contract and they interpreted it intheir own way.

COMMISSIONER R.A.ROSS:

Q. They were playing safety for their own equipment?

A. Yes.

TO COMMISSIONER HANEY:

Q. That would be tangible rather than intangible?

A. It was tangible, although it is a hard thing to put a money value on.

TO COMMISSIONER J.A.ROSS:

Q. A dependable service is the most valuable asset you have? A. You are quite right, absolutely it is.

TO THE CHAIRMAN:

Q. If you do not give it you hear about it? A. If we had not a dependable service, it means a tremendous loss to the municipalities and to the people of Ontario; it means we would probably have to put in an auxiliary plant to try and protect ourselves against loss. We took over that plant and it means a tremendous increase in expenditure.

TO COMMISSIONER HANEY:

Q. You have a sufficient number of intangibles to take care of? A. These men went into this undertaking in good faith; they had to build up this business and it cost them money to do so. We had something that was of value; we had contracts in existence at the time we took it over, and they were tangible contracts and you could not say to these people: "These contracts have no value". Some of them were for long periods and we had to consider them in the purchase of a property of this kind.

TO THE CHAIRMAN:

Q. You have not said anything about obsolesence?

A. No.

Q. I have heard somebody speak of the generators not being quite modern? A. That is something you provide for in your renewals, and when you renew these generators, as far as the winding is concerned, the character of the machine is o.k., the castings and the iron is very nearly as good as you could get today and you can improve them by the winding, and that is being done, and these machines have been operating for 20 years, and some of them longer.

Q. It has just occurred to me that it would be an element in determining the value? A. We have to consider these things; we may not have put any monetary value on it. In paying off your bonds, you are also taking care of obsolesence.

Q. What about the future of the plant? A. That I can hardly tell; the plant might operate for the next 20 years as it is, and in that time it will be largely paid off.

Q. It might not be operated; is not there some thought of closing it down? A. Closing it down is something that is not in the near future but remote future; maybe 20 or 25 years from now - and that is again a matter for the Commission to consider.

Q. Why did you not replace units 15 and 16 when they were destroyed this year? A. We deemed that it would not be economical to do so, having the capacity at Queenston to take care of the horsepower they were producing, it only means 20,000 h.p. in addition.

Q. Would not that apply to the other generators?

A. It required nearly twice the water to operate them; we have an investment there and we have to utilize that investment; a time will come when that investment can be utilized, and when the interest of the country demands that power, which you cannot get in any other way, it might be in the interest of the public to get additional power. By allowing it to stand idle it will always remain as a standby. It can be used as a standby and it is of value even if it is not operating.

Q. Will it cost practically as much to maintain it in that way as it does to maintain it in operation? A. No, there would be wear and tear to take care of which would be more or less standby charges.

TO COMMISSIONER HANLEY:

Q. Simply have a watchman in attendance? A. Yes.

TO THE CHAIRMAN:

Q. You have to keep it running? A. Not necessarily.

TO COMMISSIONER R.A.ROSS:

Q. I think the Chairman is speaking of maintenance alone?

A. You mean actual oil and waste?

TO THE CHAIRMAN:

Q. No,I mean actual maintenance of the plant to maintain it in running order? A. You would not have nearly the same number of attendants.

TO COMMISSIONER R.A.ROSS:

Q. I am talking about the plant itself; would it cost more to keep it in repair when it is running or when it is standing idle? A. A great deal of it was not loaded.

TO THE CHAIRMAN:

Q. All your bonds fall due if you cease to operate?

A. We will not, as a company,cease to operate under these conditions, that can be protected. As long as we operate and continue to supply power to our customers and obtain revenue from them,we are operating whether the plant stands idle or not; in other words, if we get power from some other source that is as economical as obtaining power from this plant,we are fulfilling the terms of the contract.

TO COMMISSIONER R.A.ROSS:

Q. There seems to be a misunderstanding with regard to the shutting down of this plant; it is almost the same cost when the plant is shut down; I suppose you would not shut down the plant unless it showed a profit? A. No, it is an economical problem.

TO THE CHAIRMAN:

Q. You are to set aside $1.00 per horsepower to meet the bonds if you are not producing any horsepower?

A. There are three terms, generated,used and sold; if

you sell power that would come under the same term; it is either one of these things. If you generate power or sell power, therefore it comes under selling power. I am not a legal man but I should say it would come under that term. It really makes no difference, even if we had to buy the power to supply our customers.

TO COMMISSIONER HANEY:

Q. If you set aside one dollar per horsepower for 165,000 horsepower, it is immaterial to the bondholders where it comes from, and if you pay the interest that is still less material? A. Yes.

Q. I presume the Hydro will not default in their interest?

A. No.

TO COMMISSIONER R.A.ROSS:

Q. If you shifted the water from that plant to Chippawa and paid them for it, would not that be selling it?

A. Yes.

TO THE CHAIRMAN:

Q. Would it be practical to operate the Chippawa and the Ontario Power and the Toronto Power Company at one and the same time? A. Yes, they are all feeding into the one system now; of course they are separated in circuits to protect our system. When you create a great mass of power in parallel your dangers from operation become very much greater and you have to segregate your system into units to protect the system on account of the enormous capacity behind them.

TO COMMISSIONER HANEY:

Q. You had an immense machine that you were operating without a governor? A. You are quite right, or the governor was pretty sluggish.

Q. You had to buy the governor from the Ontario Power plant in order to properly regulate the disposition of the product you were selling? A. Yes, in other words you cannot separate the management and have satisfactory operation, you cannot have a generating plant managed by one and the transmission by somebody else, you have got to put them together under one management in order to get satisfactory operation.

Q. Where would you get your water from if you operated these three together at the same time and be within the limits of your rights to obtain the water? A. Our estimate of the capacity as it is measured by the New York State authorities is that we have a great deal more power than we are generating today and probably within very nearly the capacity of our Queenston-Chippawa Development, within 100,000 h.p. at any rate.

Q. Mr.Francis prepared a statement of the accident that took place last April have you seen that? A. I have, sir.

Q. Are you in general agreement with Mr.Francis' conclusions?

A. Yes, sir.

Q. You have not replaced these generators; have you any present intention of replacing them? A. That matter is under the legal department of the Commission, they have that under advisement today as to what is to be done with the company, the matter is being discussed with them but it has not been brought to a final conference owing to waiting for our report in connection with the matter which Mr.Fracis has

incorporated in his report and has been confirmed by the company. In other words we have been giving them information as to what the physical condition of that equipment was so that they will be advised of the conditions and determine the reason for failure. Our contention from the beginning has been that the material, or foundry practice, was not in accordance with the specifications.

Q. We are told by Mr.Francis and Mr.Brandon that the test was never applied to see whether it would stand 360 revolutions per minute? A. No.

Q. And that when the accident took place the revolutions were less than 360? A. Yes, as a matter of fact the machine had gone up to approximately 320 for three or five minutes before that and we thought that was sufficient to determine the matter without a further test, it did go up to over 300 revolutions before but it did not fail on that occasion.

Q. Should not the tests that are provided for in the specifications have been applied? A. Well, we thought with the overspeed test that was obtained within a few weeks after that machine was installed by a non-operation of the governor, it ran for three or four minutes, and we thought that it had performed the test.

Q. You were not making a test at that time? A. No.

Q. We were told and it seems to me it is a very proper conclusion that that is not the place to make a test because if an accident did take place there the result might be very serious to the remainder of your plant? A.Yes.

Q. It is suggested that the test might be made at the plant before it was delivered by the manufacturer?

A. That was one of the things the Commission considered

at that time, that was a possibility that if this machine did fail it might endanger the plant and the power was absolutely necessary for war purposes at that time. As to the testing at the factory that is a good proposition but no factory in this country has the facilities to make such a test.

TO COMMISSIONER HANEY:

Q. You could not make the test at the factory the same as you could when it was in operation? A. Not in any of the factories as they are today.

Q. Would it not be necessary to have all the electrical equipment attached in order to get a complete test? A. Yes.

Q. Is not there a torsion or pull in connection with it?

A. There would be no pull.

Q. I think that would be very considerable; would that be increased by the extenuated speed of the generator? A. No, I do not think so; that would be a constant factor.

Q. I do not think that was taken into consideration by Mr.Francis in his report? A. It is not a very heavy pull.

Q. The electricity passing out acts as a brake but it is different from a brake, it is a pull? A. As Mr.Ross says the real factor of safety that we are endeavoring to obtain in that class of material is usually very high.

TO COMMISSIONER R.A.ROSS:

Q. As a matter of fact there was no load on it? A. No.

Q. The only load on this machine was the load imposed by two other machines which were on the same block and which this machine had to accelerate at the time? A. Yes, this machine was trying to increase the speed of some other units connected with it, it was absolutely disconnected before

the accident happened, the switch had been on and stopped the other machine just immediately before the accident happened. There was a very peculiar characteristic in connection with the metal, it was very self-evident even from inspection and the test pieces used by the manufacturer showed good material but they were coupons on the outside and they received the full benefit of the annealing.

Q. Is not there danger of the same thing happening in other machines? A. It is not so evident. These particular castings were made by a new concern that was not in the habit of making castings of that size and that character, practically all the other castings have been made by manufacturers that have been in the business and have been manufacturing this particular type of casting for years. These two particular rotor castings were manufactured by somebody that had not had experience before in handling such large castings.

Q. Are they manufacturing them for you now? A. No.

TO THE CHAIRMAN:

Q. They did not manufacture these for you? A. No, they are not manufacturing any more, I think that is the only set they ever manufactured.

Q. I gathered from what was said that they were still manufacturing? A. We do not know that they are, our other machines came from an American concern.

TO COMMISSIONER R.A.ROSS:

Q. These would be as large rings as that foundry ever cast? A. Yes.

TO THE CHAIRMAN:

Q. Did they do any of the work in connection with your

Queenston equipment? A. Not to my knowledge, all the machinery there has been carefully gone over, there are seven rings on them in place of two.

Q. How thick are they? A. Ten or twelve inches.

Q. The ratio between the depth of the ring and the width is entirely different? A. Yes, they are more after the old type of fly wheel.

Q. You spoke just now of the great inconvenience that would be caused by any shortness of power and not being able to supply it as it was required, the whole situation has been changed during the last few years, formerly every manufacturer in the country had his own plant and power was generated right on the spot,and now the power is generated in some central plant and sent by you to all parts of the country? A. No, that does not really represent the matter. The amount of power that we have replaced is not very large, 45,000 or 50,000; I am referring to steam power, it does not amount to much.

Q. You have replaced steam power? A. We have. Take the situation in London, they were manufacturing electricity by steam power, 1,000 or 1,200 h.p. in 1910 and 1911 and today they aretaking 18,000 to 20,000 h.p., that is in a short period of ten years and that state of affairs is general in the United States and Canada. They are taking double the loads they formerly took, that load of 18,000 in London does not represent the steam plants. The quantity of power used has been increased by the general use that is made of it by the public.

Q. You will supply from the Chippawa plant a large amount

of h.p. and if an accident should take place there that would put the whole plant out of business, it would create a very serious situation all through Ontario and it might be a long time before you were able to re-establish the plant? A. That situation to some extent is being remedied; as we put in more units we protect them, in other words the three developments at Niagara Falls are equivalent to three developments 100 miles apart as far as operation is concerned.

Q. Would it be economically sound to take greater precautions than you do now against accidents? Mr.Francis told us that if this steel casting had landed three or four feet in another direction it might have put this whole plant out of business? A. As a matter of fact it did put 50% of the plant out of business.

Q. That might take place in another plant; have you taken all the precautions that should be taken to guard against such an emergency arising? A. I believe we have in our new plants. That is the greatest damage we have had as far as machines are concerned. We have gone away beyond the ordinary practice in the installation of equipment and increasing its strength and in separating it, practically every switch and other parts are separated.

Q. The rotors are underground? A. Yes, they are below to some extent.

Q. At the Ontario Power Company they were above? A. They were all exposed in the one room? A. At the Electrical Development Company you could hardly conceive that an accident to one machine would more than interfere with the adjacent machine, the turbines are 125 feet below the

generators and they are the same type as the Queenston-Chippawa Development.

Q. Mr.Francis said that if the wall had not been there the damage might have been much greater? A. It might have affected one or two other generators which were already affected in connection with the water. It is doubtful if it would have gone sideways and hit the turbine. These turbines were steel and would have resisted better than the cast steel casting. The real reason for the water trouble was the breaking of the roof. The falling of the roof on the turbine was the cause of the accident to the turbine, that is where the water damage came in.

TO COMMISSIONER HANEY:

Q. It would be practically impossible for a similar accident to happen at the Chippawa plant? A. Yes,nothing could happen in that way.

Q. On the American side where they are putting in three generators they are placing walls between them? A. They have had accidents of that kind before in the Hydraulic Power Company plant and where they have walls between, the accident does not put the whole plant out of commission. They had a rotor fly to pieces there.

Q. What was the cause of that? A. The same thing as our own, a flaw in the casting.

---Adjourned sine die.

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TO COMMISSIONER HARTY:

Q. It would be practically impossible for a similar accident to happen at the Chippewa plant? A. Yes,nothing could happen in that way.

Q. On the American side where they are putting in three generators they are placing walls between them? A. They have had accidents of that kind before in the Hydraulic Power Company plant and where they have walls between the accident does not put the whole plant out of commission. They had a rotor fly to pieces there.

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